SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2010 Report
Volume 1

Provincial Auditor Saskatchewan

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

SASKATCHEWAN

News Release

Provincial Auditor

Pay practices at Ministry disturbing, says Auditor

For immediate release

REGINA, June 3, 2010 – Poor control over labour costs at correctional centres is costing the Ministry of Corrections, Public Safety and Policing millions of dollars, says Acting Provincial Auditor Brian Atkinson. The Auditor examined the Ministry's processes to manage labour costs related to absenteeism at correction centres. "The results of the audit are disturbing," said Atkinson. The Auditor made his comments in connection with the release of his 2010 Report—Volume 1.

The audit found that the Ministry had weak processes for scheduling employees to minimize labour costs. The Ministry did not always approve or monitor changes to work schedules. Corrections workers changed their schedules by trading their assigned shifts, with or without supervisor approval. The resulting costs for replacement workers and overtime contributed significantly to the Ministry's labour costs. For example, in a nine month period examined by the Auditor, the Ministry paid $6.7 million for overtime, compared to its annual budget for overtime of $2.8 million.

The audit also found that the Ministry did not correctly record hours worked by employees or pay employees accurately. For regular shifts worked, 45% of timecards were wrong (i.e., the timecards did not reflect the actual hours worked) and 75% of timecards were not properly approved by supervisors. Workers were often paid based on their planned work schedules, not the actual shifts they worked. "The Ministry is responsible to pay its employees accurately," said Atkinson. "It must take prompt action to appropriately manage its employees and control its labour costs."

The Auditor noted that regional health authorities face similar challenges in having a sufficient number of nurses on duty to provide proper patient care. The Auditor examined processes to schedule nursing staff and manage labour costs related to overtime at Sunrise Regional Health Authority. The audit found that Sunrise had adequate processes for the most part, although the Auditor recommended that supervisors need to properly approve timesheets, and that Sunrise should implement the strategies it had developed to address overtime costs.

The 2010 Report—Volume 1 also includes the results of an audit into the Ministry of Health's processes to buy information technology (IT) services. The Ministry spent over $20 million buying IT services from vendors in 2009. The audit found that the Ministry did not have adequate processes to fairly select among shortlisted suppliers for specific services. The Ministry's requests for proposals for specific IT services did not include its complete criteria for awarding the work. And the Ministry did not always document its evaluation of the proposals consistently.

.../2

In addition, the Ministry permits IT vendors to hire or assign staff to Ministry projects. Vendor managers often hired individuals from their own firms. "The Ministry must ensure that its own employees are the ones making decisions to hire employees of IT vendors," said Atkinson. The Auditor recommended that the Ministry obtain periodic independent updates of projects that are staffed with vendor employees to help ensure that projects are on time, on budget, and will meet Ministry needs.

The Auditor examined whether the Ministry of Education had adequate processes to regulate child care facilities. "Our findings were very encouraging," said Atkinson. The Report indicates the Ministry has good processes to inspect and licence child care facilities, except the Ministry should ensure it monitors key health and safety requirements during its unscheduled visits to facilities.

The Auditor's Report covers about 130 Government agencies, most with December 31 year-ends. A subsequent report will focus on agencies with March 31 year-ends.

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The *2010 Report—Volume 1* is available on the Internet at www.auditor.sk.ca.

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May 25, 2010

The Honourable D. Toth
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2010 Report – Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Brian Atkinson, FCA
Acting Provincial Auditor

/cp

Our 2010 Reports

In 2010, our Office issued two other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:
  www.auditor.sk.ca
- contact our Office by Internet e-mail at:
  info@auditor.sk.ca
- write, phone, or fax us at:
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  1500 Chateau Tower
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Our Reports:

- *Report to the Legislative Assembly of Saskatchewan on the 2009 Financial Statements of CIC Crown Corporations and Related Entities: April 2010*
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2009 Calendar Year: May 2010*

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Introduction

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Mr. G. Fred Wendel, CMA, CA retired as Provincial Auditor of Saskatchewan on April 30, 2010 after serving the people of Saskatchewan for 39 years. Mr. Wendel led our Office (as Provincial Auditor and Acting Provincial Auditor) for 10 years. He has made an enormous contribution to this Office and to the people of Saskatchewan. We thank Mr. Wendel for his outstanding service, congratulate him on his achievement, and wish him a long and happy retirement.

Mr. Wendel's contributions continue in this report, which includes the results of audit work carried out prior to his retirement. Our audits help the Legislative Assembly hold the Government accountable for its performance. Our audits also help improve how government agencies manage public resources.

The Government delivers its services through about 310 agencies. These include ministries, Crown corporations, authorities, boards, commissions, and special purpose funds. This report covers our audits of about 131 of these agencies, most with December 31 year-ends. A subsequent report will focus on agencies with March 31 year-ends.

This Office fulfills its responsibilities through the dedicated efforts of its staff. Their knowledge and commitment make this report possible. A list of staff is set out in the following exhibit.

Brian Atkinson, FCA
Acting Provincial Auditor

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Aro, Robert
Bachelu, Gaylene
Bell, Kelli
Bhat, Venkatesh
Borys, Angèle
Clemett, Tara
Deis, Kelly
Dickin, Deann
Drotar, Charlene
Fawcett, Mark
Ferguson, Judy
Funk, Curtis
Grabarczyk, Rod
Griffiths, Clinton
Halladeen, Aaron
Hamilton, Scott
Hansen, Melissa
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Herauf, Jena
Hungle, Angie
Jensen, Rory
King, Mark
Knox, Jane
Kress, Jeff
Kwasnicki, Laura
Lindenbach, Michelle
Lowe, Kim
Mitchell, Heather
Montgomery, Ed
Nyhus, Glen
Ochieng, Jennifer
O'Quinn, Carolyn
Osayande, Nicole
Pattullo, Candice
Reimer, Stephanie
Rybchuk, Corrine
Schlamp, Perry
Schwab, Victor
Shaw, Jason
Shorten, Karen
Slatnik, Jennifer
Sommerfeld, Regan
St. John, Trevor
Sych, Larissa
Tomlin, Heather
Volk, Rosemarie
Watkins, Dawn
Yee, Ken
Zeng, Tiffany
Zerr, Jennifer

Advanced Education, Employment and Labour

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Main points

The Saskatchewan Institute of Applied Science and Technology (SIAST) made good progress in improving its human resource processes.

In our 2006 Report – Volume 1, we concluded that SIAST had adequate human resources processes to build human capacity except for its processes:

- to analyze and communicate workforce gaps and barriers
- to evaluate progress towards current and future human capacity needs

In 2006, we made four recommendations. As of February 2010, SIAST has fully met our recommendations for analyzing and communicating workforce gaps and barriers. It is also close to meeting our recommendations for evaluating progress towards current and future human capacity needs. SIAST needs to identify how often the Board should receive reports monitoring human resources risks. SIAST also needs to provide the Board with progress reports on its human resources objectives using key performance measures.

Introduction

The mandate of the Ministry of Advanced Education, Employment and Labour (Ministry) is to foster development of an educated, skilled, and productive workforce that meets the labour demands of a growing and innovative economy.[1]

The Ministry's responsibilities are set out primarily in *The Post-Secondary Education and Skills Training Act* and *The Labour Standards Act*.

The Ministry is also responsible for certain special purpose funds and agencies including the Saskatchewan Institute of Applied Science and Technology (SIAST). Our 2009 Report – Volume 3 reports the results of the audit of the Ministry, its special purpose funds, and agencies for the years ending on or before June 30, 2009.

This chapter explains action taken by SIAST up to February 28, 2010 on audit recommendations we made in 2006 about human resources processes.

Saskatchewan Institute of Applied Science and Technology

As a post-secondary education institution, SIAST helps prepare people for work in areas such as the trades, health sciences, and technology. SIAST's role is increasingly important to train replacement workers for those retiring from the workforce.

In 2008-09, SIAST spent $202.7 million to provide its services and had about 1,600 full-time employees.[2] Effective human resources processes will help SIAST take timely action to hire and keep the right people to achieve its objectives.

In our 2006 Report – Volume 1 (Chapter 3, pp. 45-57), we concluded that at January 31, 2006, SIAST had adequate human resources processes to build human capacity except for its processes:

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[1] *Ministry of Advanced Education, Employment and Labour, 2008-09 Annual Report*, p.5.

[2] *SIAST 2007-08 Annual Report*: p.40 number of employees, p.51 expenses.

- to analyze and communicate workforce gaps and barriers
- to evaluate progress towards current and future human capacity needs

In 2006, we made four recommendations. On October 4, 2006, the Standing Committee on Public Accounts agreed with our recommendations.

As of February 28, 2010, SIAST has completed action on three recommendations. Further action is required on one recommendation as explained below. The recommendations are set out in italics under the relevant headings of this chapter.

Building human resources capacity—a follow-up

Analyze competency gaps and report to the Board

In 2006, we recommended that SIAST analyze competency gaps for its entire workforce and provide periodic updates to the Board.

SIAST has met this recommendation. SIAST analyzed vacant positions and told the Board about trends and explained that some vacant positions are difficult to recruit.

This information helped SIAST take timely action to minimize workforce gaps related to competencies or occupational groups. For example, nursing and medical diagnostic positions are consistently difficult to recruit. SIAST initiated an agreement with a local health region to obtain instructors for nursing and medical diagnostics. SIAST also updated the way it describes key positions to help identify competency gaps and treat vacant positions more consistently.

The Board received periodic updates on human resources issues and workforce gaps in 2009 (i.e., March, September, and October).

Identify and plan to address barriers to human capacity

In 2006, we recommended SIAST identify barriers to its current and future human capacity and provide the Board with a plan to address the significant barriers.

SIAST has met this recommendation. SIAST identified barriers to its current and future human capacity. In 2009, it presented the Board with a Workforce Action Plan that outlines ways to resolve significant barriers.

SIAST's current barriers to its human resources capacity include the need for clearer, relevant position requirements so that unnecessary skills are not expected of applicants. SIAST also needs to overcome barriers related to consistent data entry at all SIAST locations, and recruiting that supports a diverse workforce. SIAST has taken action on these barriers.

Some barriers to human resources capacity will continue into the future. Finding instructors with extensive experience and advanced qualifications will continue to be challenging (e.g., journeyman certificate, doctoral or masters degree may be required for instructors). Other barriers expected to have greater impact in the future include large numbers of employees retiring simultaneously and a shortage of skilled, experienced candidates for vacant positions. Plans for resolving future barriers to human resources capacity are evolving.

Inform staff about useful recruiting strategies

In 2006, we recommended SIAST regularly inform staff involved in the recruiting process about trends in workforce gaps across SIAST and effective strategies to overcome barriers to human capacity.

SIAST has met this recommendation. During 2009, SIAST communicated to its staff about trends in workforce gaps and strategies to overcome barriers to human capacity.

SIAST's main communication tool to inform staff about workforce trends and effective strategies was its Workforce Action Plan. It is available to all staff on an internal website and explains employee turnover and sick leave rates, and employee response to supervision compared to similar agencies. The Workforce Action Plan identified priority strategies to overcome major barriers to a full capacity workforce. For example, more qualified people apply if positions are permanent with flexible hours rather than short-term with fixed work hours. SIAST continued to emphasize the recruitment of Aboriginal people. It also expanded its efforts to retain mature workers and address related issues.

SIAST used formal and informal methods to inform its staff about trends and effective recruiting strategies. It used formal training to inform supervisors about effective ways to recruit and retain staff (e.g., supervisory skills, staffing processes). SIAST used verbal, informal communications to keep its human resources consultants and program heads informed about trends and strategies for recruiting. In 2008, the focus was on communication about workforce planning. In 2009, the focus was on recruitment including revising the hiring process for better consistency across SIAST's many programs and four campuses.

Monitor human resources capacity

In 2006, we recommended SIAST's Board work with management to identify the content and frequency of reports necessary to monitor human resources risks and evaluate progress toward its human capacity objectives.

SIAST has partially met this recommendation. It identified the general content of reports but not how often the Board expected to receive reports monitoring human resources risks and evaluating progress. SIAST worked actively on this recommendation.

In its strategic plan, the Board identified the general content of the reports it wanted to monitor progress toward its human resources objectives. For example, the Board requested information about employee retention and safety. A Balanced Scorecard Committee is defining performance measures for SIAST's strategic objectives. In February 2010, the Board had not yet received any reports using these measures. Management told us it will give the Board reports using these measures in 2011 after deciding on all measures for its Balanced Scorecard reports.

During 2009, the Board received a mid-year report with minimal human resources content and an annual report. In March and October 2009, the Board received two useful reports explaining SIAST's strategic workforce plan, hard to recruit positions, and other human resources risks.

Agriculture

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Main points

The Ministry of Agriculture (Ministry) regulates pesticides. The Ministry has made some progress towards addressing our 2007 recommendations related to its processes for regulating pesticides, but more work remains. To better monitor and enforce compliance with pesticide control laws, it needs to finish its risk assessment and develop a strategy to address its risks.

The Milk Control Board (Board) regulates the production, supply, pricing, and sale of milk in Saskatchewan. The Board did not set adequate policies for the timely preparation and review of bank reconciliations and journal entries. As a result, management did not independently review or approve monthly bank reconciliations and journal entries on a timely basis.

For Saskatchewan Crop Insurance Corporation (SCIC), we concluded that it had adequate processes for security awareness except that SCIC needs to:

- document in its policies its requirement for a formal security awareness program, specifying who is responsible for the program
- document its plan for delivery of its security awareness program and carry out the plan
- monitor the effectiveness of its security awareness program

Introduction

The purpose of the Ministry of Agriculture (Ministry) is to enable a prosperous market-driven agricultural industry through a supportive legislative framework, policies, and programs and services.[1]

Special purpose funds and Crown agencies

At December 31, 2009, the Ministry was responsible for the following special purpose funds and Crown agencies (agencies). Each one has a March 31 year-end unless otherwise noted.

Agricultural Credit Corporation of Saskatchewan
Agricultural Implements Board
Agri-Food Council
Beef Development Board
Cattle Marketing Deductions Fund
Crop Reinsurance Fund of Saskatchewan
Horned Cattle Fund
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund
Livestock Services Revolving Fund
Milk Control Board (December 31)
Pastures Revolving Fund
Prairie Agricultural Machinery Institute
Saskatchewan Agricultural Stabilization Fund
Saskatchewan Crop Insurance Corporation
Thomson Meats Ltd. (December 31)
Pension Plan for the Employees of Thomson Meats Ltd. (December 31)

This chapter contains the results of our audits of the agencies with December 31 year ends (other than Thomson Meats Ltd.), the status of recommendations from our 2007 audit about the Ministry's processes for pesticide regulation, and our audit of Saskatchewan Crop Insurance Corporation's processes to keep its staff informed about and understanding information technology security issues (security awareness).

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[1] Government of Saskatchewan, Ministry of Agriculture, Plan for 2010-11, p.2.

Our 2009 Report – Volume 3 reports the results of our audit of the Ministry and its special purpose funds and agencies with years ended March 31, 2009. We have not yet completed the 2009 audits of Thomson Meats Ltd. and its pension plan. We expect to report the results of these audits in our next report.

Milk Control Board

The mandate of the Milk Control Board (Board) is to regulate the production, supply, pricing, and sale of milk. Working with producers, processors, and consumers, the Board is to provide producers with the opportunity to obtain a fair return while providing consumers with an adequate supply of high quality dairy products at reasonable prices.

In 2009, the Board had revenues of $175.8 million including $173.3 million from milk sold to processors, expenses of $175.9 million including $174.6 million from milk purchased from producers, and a net loss of $0.1 million. At December 31, 2009, it held net financial assets of $0.9 million.

In our opinion, for the year ended December 31, 2009:

- **the Board had adequate rules and procedures to safeguard public resources except for the matter noted in this chapter**
- **the Board complied with authorities governing its services relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **the Board's financial statements are reliable**

Adequate policies for bank reconciliations and journal entries needed

Management did not independently review or approve monthly bank reconciliations and journal entries on a timely basis.

Regular reconciliation and review of recorded bank balances to the bank's records provides an important check that all charges to the bank accounts are proper, all money due is received, and deposits are made to the correct bank account. It also provides a check on the accuracy and reliability of the Board's accounting records. Furthermore, timely bank reconciliations help detect errors or misuse of money quickly.

The preparation and review of journal entries helps ensure that adjustments to recorded account balances are correct and authorized.

The Board has written policies for the preparation and review of bank reconciliations and journal entries. However, these policies do not specify when this work must be done.

Management did not approve bank reconciliations for February 2009 to May 2009 until August 2009. Also, management did not approve journal entries for the month of April 2009.

Without adequate policies governing the preparation and approval of bank reconciliations and journal entries, there is an increased risk that management may not promptly detect errors or fraud in the Board's bank accounts and accounting records.

1. **We recommend that the Milk Control Board set adequate policies for the timely preparation and approval of bank reconciliations and journal entries.**

Pesticide regulation—a follow-up

Introduction

The Ministry of Agriculture (Ministry) is responsible for regulating the sale, use, storage, transportation, and disposal of registered pesticides in both agricultural and non-agricultural settings.

Chapter 3 of our 2008 Report – Volume 3 includes the status of recommendations from our 2007 audit of the Ministry's processes for pesticide regulation. It reports that at September 30, 2008, the Ministry has made progress towards addressing the two recommendations but more work remains. We continued to recommend that the Ministry:

1. formally analyze the risks that licensees and exempt persons are not following pesticide control laws

2. document its strategy to address identified risks associated with monitoring and enforcing compliance with pesticide control laws

The Standing Committee on Public Accounts agreed with our recommendations on June 16, 2008.

At March 31, 2010, the Ministry has made progress towards addressing these recommendations but more work remains. The following section explains, what we expected (in italics) and highlights progress the Ministry has made towards implementing them.

Risk identification and analysis

As noted in our 2007 audit, without an overall risk analysis to guide its activities, the Ministry's inspection activities may not focus on areas with higher risks. The Ministry needs to analyze the risks associated with monitoring and enforcing compliance with pesticide control laws, prioritize those risks, and document the strategy to address those risks. Its analysis should address each of the major categories regulated (i.e., sales, use, storage, transportation, and disposal). For each category, the Ministry needs to identify the risks related to the particular products, locations, and circumstances involving pesticides that pose a threat to human health and the environment (i.e., land, air, and water).

Since our 2008 follow-up, the Ministry provided staff with training on identifying risks, analyzing risk, and using assessments to design suitable action plans. The Ministry used this training to start a risk identification process that focused on pesticide legislation and regulations. Its process helped to identify some risks, the probability of their occurrence, and the severity of their impact. The Ministry also started to note some potential actions to mitigate areas of risk. However, the Ministry had not completed its risk identification and analysis.

The Ministry told us it has plans to continue to develop an overall risk analysis to guide its activities.

Saskatchewan Crop Insurance Corporation—security awareness processes

Introduction

The Saskatchewan Crop Insurance Corporation (SCIC) is a Crown corporation established under *The Crop Insurance Act*. SCIC administers a crop insurance program for crop losses due to weather-related and other natural perils.

SCIC makes significant use of information systems to deliver its programs and services and carry out its mandate. It uses information systems to calculate premium rates and track premiums owed. Field adjusters use computers to record claims. SCIC uses its computer system to calculate and pay out claims to producers. SCIC has over 400 staff at 21 customer service centres throughout the province and at head office.[2] SCIC has plans to increase its staff as it begins operating the federal-provincial agricultural stabilization program (AgriStability) effective January 1, 2010.

SCIC needs to ensure its information systems are secure. If security is not adequate, SCIC risks:

- unauthorized disclosure of confidential producer information
- basing its decisions and operations on incorrect data
- not collecting the correct amount of premiums from the producers
- incorrectly calculating and paying for claims

SCIC needs to ensure that all of its employees keep its information secure. We audited whether SCIC has adequate processes for security awareness.

Security awareness

Security awareness means being well informed about security issues, understanding security responsibilities, and acting accordingly.[3] The key to security awareness is being security conscious and as a result, changing behaviour to appropriately protect information.[4]

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[2] 2008-09 Annual Report Saskatchewan Crop Insurance Corporation, p.6.
[3] Wulgaert, p.9.

Security awareness is an important part of information security. Agencies must keep their information secure, including their information technology (IT) systems and data. This means ensuring the confidentiality, integrity, and availability of information. To do this, agencies must set out and follow adequate security policies and procedures. If users are not aware of the policies and procedures that they need to follow, it is more difficult for an agency to protect its information.[5] Even sophisticated security measures can be rendered less effective if there is inadequate security awareness.

A security awareness program can be a cost-effective method of improving an agency's information security. Improved security awareness can reduce future costs such as recovery of lost data and notification and litigation costs when information has been inappropriately disclosed.

Security awareness activities need to be a continuous process.[6] Without on-going activities, users may forget or be less able to take adequate measures to protect an agency's information. Repeated reminders of security awareness issues can improve a user's capacity to remember security principles. Agencies that have continuous security awareness activities are more likely to have employees that are "security conscious" as they carry out their responsibilities. This decreases the risk that information will be lost, stolen, or inappropriately disclosed.

We describe good processes for security awareness more fully at the end of this chapter.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether SCIC had adequate processes for security awareness for the twelve-month period ended February 28, 2010.

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[4] Ibid.
[5] Herold, p.xxix.
[6] Wulgaert, p.4.

To conduct this audit, we followed *The Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants. To evaluate SCIC's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. SCIC's management agreed with the criteria (see Exhibit 1).

Exhibit 1 – Audit criteria

To have adequate processes for security awareness, an agency should:

1. demonstrate management commitment to security awareness
2. implement adequate security policies that incorporate a security awareness program
3. inform users of their responsibilities through a formal security awareness program
4. periodically review the effectiveness of its security awareness program

We concluded that, for the twelve-month period ended February 28, 2010, Saskatchewan Crop Insurance Corporation's processes for security awareness were adequate except Saskatchewan Crop Insurance Corporation needs to:

- **document in its policies its requirement for a formal security awareness program and specify who is responsible for the program**
- **document its plan for delivery of its security awareness program and carry out the plan**
- **monitor the effectiveness of its security awareness program**

Key findings and recommendations

In this section, we describe our expectations (in italics) and key findings for each criterion.

Demonstrate management commitment to security awareness

To demonstrate management commitment to security awareness, we expect that agency management will:

- *communicate responsibility for security awareness to all employees*
- *set an example by participating in security awareness activities*
- *approve human resources and a budget sufficient to carry out security awareness activities*

SCIC management demonstrated its commitment towards security awareness. SCIC hired a contractor to analyze the overall information security level at SCIC. SCIC formed a security and privacy oversight committee. The committee is composed of members representing all major departments at SCIC. Its objective is to oversee all aspects of security and privacy management within SCIC. SCIC has also hired a full-time privacy security commissioner. During the audit period, SCIC developed a Privacy and Security Manual. The manual states that the policies and guidelines apply to all employees, consultants, and other organizations sharing information belonging to SCIC. During the audit period, executive management discussed privacy and security issues at executive management committee meetings.

Although there was no separate budget for security awareness activities, SCIC held several security awareness sessions during the audit period at various locations throughout the province. Senior management also attended the security awareness sessions.

Security policies incorporate security awareness program

We expect that agency security policies will include the requirement for a security awareness program. The policy should require that the security awareness program:

- *include all employees and relevant contractors*
- *be an on-going program to ensure that security issues are regularly discussed*
- *be reviewed for effectiveness on a regular basis*

SCIC has a privacy and security policy. However, the policy only discusses security awareness for new employees. The policy does not set out a requirement for an on-going security awareness program.

The privacy and security policy states that managers and business leaders are responsible for ensuring that employees comply with policies. However, the policy does not specify who is responsible for security awareness activities at SCIC. The job description for the Privacy Security Commissioner does not specifically address security awareness for SCIC.

2. **We recommend that Saskatchewan Crop Insurance Corporation include in its privacy and security policies a requirement for a formal security awareness program.**

3. **We recommend that Saskatchewan Crop Insurance Corporation document who is responsible to ensure that security awareness activities are regularly carried out.**

Inform users of their information security responsibilities through the formal security awareness program

We expect that agencies will implement a formal security awareness program. This would include:

- *a documented plan that specifies clear objectives, target dates, and the strategy to build security awareness*
- *ensuring the plan is based on an assessment of the agency's security awareness needs*
- *ensuring the program covers all employees, all key topic areas and uses a variety of methods to deliver the security awareness message*
- *tailoring the program to meet the needs of the employees that are receiving the security awareness information*
- *having key branches and departments of the agency provide input into the program*

SCIC does not have a formal plan to deliver security awareness to all employees and contractors.

During the audit period, security awareness training was delivered to business leaders (management and supervisors) within SCIC. This training covered all topic areas and was in appropriate detail for the intended audience. SCIC also sent reminders to employees regarding security and privacy issues. Also, SCIC employees are required to read a summary of the security and privacy policies and acknowledge in writing that they have read them. SCIC plans to provide security awareness training to all its staff during 2010-11.

4. **We recommend that Saskatchewan Crop Insurance Corporation document its plan for delivery of its security awareness program and carry out the plan.**

Periodically review the effectiveness of the security awareness program

We expect agencies to monitor the effectiveness of their security awareness program, including:

- *setting out how it will measure the effectiveness of its security awareness program*
- *performing periodic research to identify trends in security awareness issues*
- *adjusting its security awareness program based on its assessment of effectiveness and its research*

SCIC has not set out plans to monitor the effectiveness of its security awareness program. SCIC told us that it informally discussed security awareness sessions with its employees and made changes.

5. **We recommend that Saskatchewan Crop Insurance Corporation monitor the effectiveness of its security awareness program.**

Good processes for security awareness

In this section we describe more fully good processes for security awareness.

Demonstrate management commitment to security awareness

Adequate security awareness starts with senior management setting the tone for the agency. Senior management needs to provide adequate resources in terms of personnel and funding for security awareness activities. It should communicate to all employees the importance of security and security awareness. Senior management needs to assign responsibility for security and security awareness to someone senior in the agency. This assignment should ensure that someone takes the lead in security awareness and that security awareness activities take place. Also, senior management needs to lead by example by participating in security awareness activities. Senior management should ensure that the agency has appropriate security awareness policies (discussed further under the next heading). It needs to approve these policies and monitor compliance.

Security policies incorporate security awareness program

Security policies need to specify requirements for an on-going security awareness program. A formal program should cover all staff and relevant contractors. It should provide for on-going activities. There should be regular reviews of the effectiveness of the security awareness activities. The policies should specify who is accountable to ensure security awareness activities take place.

Inform users of their information security responsibilities through the formal security awareness program

Agencies should make sure users are aware of security policies. A formal security awareness program would be based on a plan that documents an assessment of the agency's security awareness needs. Based on those needs, the plan should document a security awareness strategy, set target dates, and set objectives.

The plan and the process to carry out the plan should:

- Cover all employees and relevant contractors
- Focus on all key areas or divisions of the agency

- Make users aware of all key topic areas based on the risks that the agency faces
- Use a variety of techniques to deliver the security awareness messages
- Provide training for both new and existing employees within the agency

The individual assigned responsibility for security awareness should ensure that the key elements in the security awareness plan are carried out.

To help ensure a successful security awareness program, the plan and the security awareness activities should reflect input from a number of areas within the agency.[7] For example, human resources should be involved to ensure that all new employees receive awareness training as soon as practical. Human resources would be able to assist in ensuring that the agency provides security awareness activities to all employees. Also, an agency's IT help desk would be able to provide input into key areas in which users would benefit from additional awareness training.

A security awareness program that involves several delivery techniques is likely to be more effective in increasing the security awareness level of employees. Repetition of the security awareness message in different ways helps employees to keep security in mind as they carry out their responsibilities.

An effective security awareness program ensures that awareness activities are tailored to the needs of the users. Based on the assessed risks, different parts of an agency may need focused training in different areas. For example, a branch that has significant interaction with the public and their personal information would need to be more aware of issues related to confidentiality of personal information (as compared to a network administrator that is not required to access personal information as part of his or her responsibilities).

Security awareness training should be delivered by individuals with appropriate knowledge and experience. Their delivery will be more effective as they will be better able to address participant questions.

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[7] Wulgaert, p.31.

Periodically review the effectiveness of the security awareness program

A key to a successful security awareness program is to regularly assess the effectiveness of the program and make changes to improve the program.

To monitor the effectiveness of a program, an agency needs to set targets, measure the achievement of those targets, and report results to senior management. Without this, an agency will not know if its security awareness activities are effective. The risk is that the program does not improve the overall security posture of the agency. Measuring effectiveness could include:

- Tracking the change in the number of security incidents
- Checking employee knowledge of security policies
- Setting mock incidents that would identify whether employees are following the security policies

The agency should use the information gathered to make improvements to the security awareness program. This should be done on a regular basis.

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Corrections, Public Safety and Policing

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Main points

The Ministry of Corrections, Public Safety and Policing (Ministry) is responsible for managing provincial correctional centres. The Ministry's labour costs related to absenteeism increased steadily from 2004 to 2009 at the correctional centres. For the nine months ended December 31, 2009, overtime was $6.7 million or 14% of labour costs. The Ministry's 2009-10 overtime budget was $2.8 million.

We concluded that, as of December 31, 2009, the Ministry did not have adequate processes to manage provincial correctional centres' labour costs related to absenteeism.

The Ministry did not adequately set expectations, had weak processes to schedule employees for work, and did not adequately analyze factors that influenced labour costs or take action on known problems. As our findings explain, the Ministry:

- missed opportunities to communicate expectations
- did not set thresholds to monitor sick leave and excessive hours worked
- did not approve leaves of absence before leave was taken
- did not correctly record the hours worked by employees and did not pay employees accurately
- gave managers very limited information about costs or patterns of absenteeism, sick leave, and overtime
- did not take prompt and consistent action to address absenteeism and overtime costs

Saskatchewan's provincial correctional centres house inmates sentenced for terms of less than two years. Before releasing inmates into the community, the Ministry aims to rehabilitate inmates to reduce the rate of re-offending and make communities safer. In 2008, we assessed the Ministry's processes to rehabilitate adult inmates and made four recommendations. The Ministry has made progress on all the recommendations and has completed action on one up to March 31, 2010.

We also report the Ministry should follow its policy for internal audit to focus on activities where the Ministry is at greatest risk. The Ministry should reconcile its bank records on a timely basis, adequately protect its information technology systems and data, and complete its business continuity plan.

Introduction

The mandate of the Ministry of Corrections, Public Safety and Policing (Ministry) is to promote safe and secure communities through supporting: effective policing and law enforcement; rehabilitation and treatment services and programs for adult and young offenders; emergency planning and communication; monitoring building standards, fire prevention, and disaster assistance programs; and licensing and inspection services. The Ministry promotes public order, safety, and security by working with various communities and organizations and by ensuring that effective policing and private security programs uphold the rule of law and protect society and the rights of individuals.[1]

The Ministry focuses on activities in five main areas: adult corrections, young offenders programs, licensing and inspections, protection and emergency services, and policing services.

In 2008-09, the Ministry had revenues of $50.1 million and spent about $315.2 million. About 59% of its revenues are from the Federal Government for cost-sharing programs. Information about the Ministry's revenues and expenses appears in its 2008-09 annual report.[2]

The following is a list of the Ministry's major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Central Management & Services	$ 18.9	$ 19.1
Adult Corrections	85.6	94.6
Young Offenders Programs	47.3	48.3
Public Safety	12.6	26.2
Policing Services	128.7	127.8
Major Capital Projects	21.0	18.7
Capital asset acquisitions	(22.5)	(19.8)
Capital asset amortization	0.2	0.3
	$ 291.8	$ 315.2

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[1] Ministry of Corrections, Public Safety and Policing, 2008-09 Annual Report, p. 5.

[2] See www.cpsp.gov.sk.ca/AR-CPSP-08-09.pdf (26 Apr 2010).

Audit conclusions and findings

In our opinion, for the year ended March 31, 2009:

- **the Ministry had adequate rules and procedures to safeguard public resources except as described in this chapter**
- **the Ministry complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

In this chapter, we also report the results of our follow-up work on rehabilitation of sentenced adult inmates within provincial correctional centres, as well as our audit of the Ministry's processes to manage provincial correctional centres' labour costs related to absenteeism.

Timely bank reconciliations needed

The Correctional Services Trust Account Regulations and *The Youth Justice Administration Act* set restrictions for the use of trust monies and requires adequate accounting records for trust monies. The Ministry needs to follow its policies and procedures to ensure it complies with these authorities to control monies held in its young offender and adult inmate trust accounts. The Ministry did not follow its rules and procedures to reconcile its bank accounts on a timely basis.

The Ministry holds about $500,000 on behalf of adult inmates and young offenders in 37 bank accounts.

The Ministry's policies and procedures require employees to agree (reconcile) its recorded bank balances to the bank's records each month within a specified timeframe. They also require management to review and approve the reconciliations. Regular reconciliation of recorded bank balances to the bank's records provides a check that all charges to the bank account are proper and all money has been received and deposited in the right account. It also provides a check on the accuracy and reliability of the Ministry's accounting records. Furthermore, timely bank reconciliations help detect errors or misuse of money promptly.

During our audit, 20 monthly bank reconciliations out of 444 were not prepared and reviewed on a timely basis.

1. **We recommend that the Ministry of Corrections, Public Safety and Policing follow its rules and procedures to reconcile its recorded trust bank balances to the bank's records on a timely basis.**

Fines not in accordance with legislation

In our 2009 Report – Volume 1, we recommended the Ministry work with law enforcement agencies to ensure the voluntary payment option on issued tickets is consistent with the law. On February 2, 2010, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

In November 2007, responsibility for policing programs transferred to the Ministry. Part of this responsibility is oversight of peace officers involved in municipal policing and services under contract with the Royal Canadian Mounted Police (RCMP).

The Summary Offences Procedure Act, 1990 allows peace officers to issue tickets with voluntary payment options (i.e., offenders can plead guilty and pay a fine without attending court). *The Summary Offences Procedure Regulations, 1991* (Regulations) set out the amount of the fine for offenders who may choose the voluntary payment option. Offenders pay the voluntary fines to the Ministry of Justice and Attorney General.

We tested a sample of tickets where offenders chose the voluntary payment option at the Ministry of Justice and Attorney General. In our sample, we found that fines for 13% of the tickets did not comply with the Regulations. The Ministry of Corrections, Public Safety and Policing is aware of this issue and has been in communication with the Ministry of Justice and Attorney General. Management told us training courses for peace officers took place to promote compliance with the law when issuing tickets.

However, the Ministry does not request information from the Ministry of Justice and Attorney General regarding errors or concerns with fines issued nor does the Ministry gather this information directly. Therefore, the Ministry does not know if the processes and training for issuing tickets are adequate to prevent errors.

We continue to recommend the Ministry of Corrections, Public Safety and Policing work with law enforcement agencies to ensure the voluntary payment option on issued tickets is consistent with the law.

Shared services agreement needs to be followed

The Ministry needs to follow the terms set out in its shared services agreement with the Ministry of Justice and Attorney General (Justice). In April 2002, the Ministry approved a memorandum of understanding with Justice identifying the protocols for the operation of the Shared Services Branch. The shared services include administration, systems services, communications, and human resources.

The shared services agreement established a Shared Services Management Committee, which according to the terms of the agreement should meet at least twice a year. The committee has not met since October 2007.

The shared services agreement also established a Shared Services Operations Sub-Committee. Per the agreement, the committee is to perform an annual review and evaluation of the terms, conditions, services, and information provisions within the agreement. A formal review has not taken place since 2006. The Ministry told us it is in the process of updating the terms of the agreement.

2. **We recommend the Ministry of Corrections, Public Safety and Policing comply with the terms of the shared services agreement with the Ministry of Justice and Attorney General.**

Need to follow payroll guidance

The Ministry needs to appropriately supervise its employees to ensure they follow the Ministry's policies and procedures for paying amounts owed to employees. If the Ministry does not follow its policies and procedures for paying employees, it may pay them more than owed.

The Ministry's salaries and wages were approximately $123 million for the year ended March 31, 2009.

The Ministry did not correctly pay all its employees during the year. As a result, the Ministry has approximately $190,000 of salary and vacation overpaid to employees as of September 30, 2009. One employee was overpaid almost $80,000. The Ministry told us it is seeking to recover these overpayments.

3. **We recommend the Ministry of Corrections, Public Safety and Policing supervise its employees to ensure they follow the Ministry's policies and procedures for paying amounts owed to employees.**

Internal audit needs strengthening

In our 2009 Report – Volume 1, we recommended the Ministry follow its policy for its internal audit function to focus on activities where the Ministry is at greatest risk. On February 2, 2010, PAC considered this matter and agreed with our recommendation.

In January 2008, the Ministry approved an internal audit policy. The policy requires a risk assessment to ensure audits focus on the areas with the highest risk. This assessment has not been done.

The internal audit policy also establishes an audit committee to oversee internal audit. This committee is to provide direction to internal audit, approve the annual audit plan based on a risk assessment, and review semi-annual summary audit reports. The committee did not meet during the year. During the year, the internal auditor reported to the Executive Director of Corporate Services.

Without a formal risk assessment and an audit committee to provide direction, the risk is increased that audit resources will not focus on the areas of greatest significance to the Ministry.

We continue to recommend the Ministry of Corrections, Public Safety and Policing follow its policy for its internal audit function to focus on the activities where the Ministry is at greatest risk.

Better information technology processes needed

In our 2009 Report – Volume 1, we recommended the Ministry sign an adequate agreement on disaster recovery and security with the Information Technology Office (ITO). On February 2, 2010, PAC considered this matter and agreed with our recommendation.

The Ministry's agreement with ITO does not identify all of the security requirements. For example, the agreement does not set out what security policies and procedures the Ministry's employees need to follow. Nor does it identify disaster recovery times for significant applications.

We continue to recommend the Ministry sign an adequate agreement on disaster recovery and security with the Information Technology Office.

Also, in our 2009 Report – Volume 1, we recommended the Ministry adequately monitor the security of its information technology systems and data. On February 2, 2010, PAC considered this matter and agreed with our recommendation.

In May 2009, the Ministry began to receive monthly reports from ITO. The reports include information on ITO activities such as service levels and costs but little information on the security or availability of IT systems. Also, the Ministry does not receive any information about the adequacy of ITO controls or how the weaknesses at ITO could impact Ministry systems and data. Nor does it know if ITO could meet the Ministry's disaster recovery needs.

The Ministry has processes for removing user access from individuals who no longer work for the Ministry. However the Ministry did not follow its processes for removing users' access on a timely basis. Four out of the ten individuals we sampled had left the Ministry but still had access to the system. If former employees access is not removed promptly, it increases the risk of inappropriate access to the Ministry's systems and data.

We continue to recommend the Ministry adequately monitor the security of its information technology systems and data.

Business continuity plan needed

In our 2007 Report – Volume 1, we reported that the Ministry needed to complete and implement its business continuity plan (BCP)[3]. On June 25, 2007, PAC considered this matter and agreed with our recommendation.

The Ministry has identified and developed plans for recovery of its critical services. The Ministry has approved its BCP but the approved BCP has not yet been updated to ensure continuity of services that ITO provides. As stated earlier, Ministry does not know if ITO's disaster recovery processes meet the Ministry's needs.

The Ministry completed some BCP testing during the year. The Ministry walked through the process of continuing one of its critical business processes in the event of a system failure. The Ministry determined that it was able to continue to carry on this business process without the availability of certain systems. The Ministry needs to continue to test all its critical business processes and work with ITO to identify its system recovery needs.

We continue to recommend the Ministry complete and implement its business continuity plan.

Rehabilitation of sentenced adult inmates–a follow-up

Our 2008 Report – Volume 1, Chapter 2 concluded that the Ministry of Corrections, Public Safety and Policing (Ministry) had adequate processes to rehabilitate sentenced adult inmates in provincial correctional centres except for completing timely assessments and case plans and monitoring the delivery of rehabilitation programs. We made four recommendations.

On August 28, 2008, PAC agreed with our recommendations.

The following sections set out our recommendations and expectations (in italics), and the Ministry's actions up to March 31, 2010. We found that the Ministry has met one recommendation and still has work to do on three recommendations.

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[3] **Business Continuity Plan** (BCP)-Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Assessing inmates' needs improving but not yet timely

In 2008, we recommended the Ministry of Corrections, Public Safety and Policing consistently comply with its policies to assess inmates' needs (primary and secondary) and plan relevant programs.[4]

We expected the Ministry to have adequate processes to monitor whether case managers completed assessments and case plans on a timely basis. This would allow the Ministry to offer inmates appropriate rehabilitation programs.

The Ministry is taking steps to comply consistently with its policies to assess inmates' needs for rehabilitation and create case plans. However, to comply with its policies, the Ministry requires more timely assessments of inmates' needs. Also, it should keep senior management informed about whether staff are able to comply with its policies consistently.

The Ministry increased its capacity to assess inmates' rehabilitation needs promptly after admitting sentenced inmates to a correctional centre. It trained more case managers to conduct primary and secondary assessments of inmate rehabilitation needs. Case managers used these assessments to plan relevant programs for inmate rehabilitation.

Case managers usually completed these assessments within two months but not always within 28 days of admitting an inmate as required by the Ministry's policy. Many inmates have a relatively short sentence (e.g., less than five months). As a result, if there is a delay in assessing inmates' needs, the inmates may not complete the identified rehabilitation programs before they return to the community at the end of their sentences.

The Ministry still does not have a process to inform supervisors and senior management about the timeliness of inmate needs assessments. Management cannot ensure that the Ministry plans relevant programs for inmates if needs assessments are not timely. In addition, management needs this information to know if staff follows its policies consistently.

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[4] Primary assessments consider an inmate's needs in terms of health, education, relationship skills, etc. Secondary assessments relate to the nature of an inmate's offence (e.g., use of violence).

The Ministry still has work to do; therefore, we continue to make this recommendation.

Providing better access to relevant programs

In 2008, we recommended the Ministry of Corrections, Public Safety and Policing facilitate inmates' access to key programming related to their offences prior to their release into the community, particularly if the offences were related to assault or bodily harm.

We expected the Ministry to offer relevant programs targeted to meet identified needs prior to inmates' release into the community. We expected the Ministry to have adequate processes to determine priority programs for areas of highest risk.

The Ministry has adequate processes to facilitate inmates' access to key programming related to their offences prior to their release into the community.

The Ministry regularly reviewed the programs offered to inmates and revised them as necessary. The Ministry introduced several new programs to improve inmates' access to rehabilitation programs. It focused on programs for high-risk, violent offenders. Using this priority, the Ministry worked to improve access to rehabilitation programs for inmates whose offences were related to assault or bodily harm.

To facilitate access to relevant programs, the Ministry planned to offer more inmates the opportunity to participate in programs. For example, it arranged for inmates to have greater access to the Courage to Change program, the Violence Prevention Program, and an Emotions Management Program for women. The Ministry introduced a mental-health screening tool for use in program planning. Also, it trained more staff to provide rehabilitation programs directly to inmates on high-security units. This on-unit programming increased access for high-risk inmates whose rehabilitation was a Ministry priority.

The Ministry had adequate processes to determine priority programs. For example, the Ministry developed a relapse-prevention tool for use in case planning. Staff are being trained to use this tool to analyze offence patterns and identify programs with potential to reduce the risk of inmates re-offending. The Ministry also trained many more staff to use core correctional practices. The Ministry finds that these core practices help to rehabilitate inmates through day-to-day interactions with corrections staff.

The Ministry has met our recommendation to make its rehabilitation programs more accessible to inmates, particularly if their offences were related to assault or bodily harm. The Ministry now has better processes to offer relevant programs. However, as we explain below, it does not yet receive timely reports to help it monitor the proportion of inmates that participate in these programs.

Monitoring inmates' use of relevant programs evolving

In 2008, we recommended the Ministry of Corrections, Public Safety and Policing monitor the proportion of inmates accessing planned rehabilitation programs before their release into the community and enhance access to rehabilitation if required.

We expected the Ministry to analyze inmates' access to programs and keep management informed. For example, periodic reports to management should explain the percentage of inmates completing priority programs before their release into the community, the number of inmates waiting to attend specific programs, and the timeliness of inmate referrals to relevant community programs. With this information, the Ministry would be better able to adjust access to specific programs in time to meet inmates' needs before their release into the community.

At the end of each year, the Ministry receives an overview of the number of inmates who attended each rehabilitation program. It does not inform management what proportion of the inmates needing a program actually attended the program before their release into the community.

The Ministry has taken steps that may help it to monitor the proportion of inmates accessing planned rehabilitation programs before their release into the community. The Ministry has begun developing more useful information systems. It purchased software that should help it monitor the proportion of inmates' accessing rehabilitation programs. However, the Ministry has not yet implemented these systems.

The Ministry still has work to do; therefore, we continue to make this recommendation.

Inmates' re-offending rate monitored but not in relation to rehabilitation

In 2008, we recommended the Ministry of Corrections, Public Safety and Policing monitor re-offending rates in relation to rehabilitation programs to better evaluate its rehabilitation of inmates.

We expected the Ministry to have adequate processes to monitor re-offending rates and evaluate the impact of participation in its rehabilitation programs. This information would help the Ministry revise its programs to better rehabilitate inmates.

The Ministry is working on evaluating whether its programs help to rehabilitate inmates and prevent re-offending. More work is needed.

The Ministry selects rehabilitation programs based on research showing the program worked elsewhere. Also, the Ministry monitors the percentage of sentenced offenders that are not re-admitted to any correctional centre within 24 months. It reports this as one measure of the effectiveness of its rehabilitation programs in its annual report and performance plans. For example, the Ministry reported that 74% of inmates are at high risk of re-offending and in Saskatchewan the rate of re-offending is about 49%.[5]

Knowing the general rate of re-offending is useful. However, it does not evaluate whether specific rehabilitation programs are effective in Saskatchewan. The Ministry needs to find cost-effective ways to monitor re-offending rates in relation to rehabilitation programs.

The Ministry still has work to do, therefore, we continue to make this recommendation.

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[5] *Ministry of Corrections, Public Safety and Policing 2008-09 Annual Report* (p.11) and the *Ministry of Corrections, Public Safety and Policing 2009-10 Plan* (p.2).

Processes to manage labour costs related to absenteeism

Background

The Ministry of Corrections, Public Safety and Policing (Ministry) is responsible for managing provincial correctional centres and related labour costs under *The Correctional Services Act*. Labour costs include absenteeism and associated overtime costs. The Ministry employs over 2,000 staff including 925 corrections workers who work in four large correctional centres located in Regina, Saskatoon, and two in Prince Albert.[6]

The Ministry operates in a unionized environment. The collective bargaining agreement[7] includes some factors influencing labour costs. The Ministry has over 75 letters of understanding (LOUs) which are local union agreements negotiated at each correctional centre. These LOUs form part of the collective bargaining agreement (CBA).

Correctional centres require sufficient workers to ensure the safety of inmates, workers, and the public. As a result, the Ministry must replace workers who are ill or absent for other reasons. If there is a shortage of skilled workers, finding replacements may mean paying overtime to workers. Replacing absent workers and paying for overtime increases the Ministry's labour costs.

Statistics Canada reported the average number of workdays lost due to illness or disability in 2007 in Saskatchewan was 8.3 days annually.[8] On average in 2008-09, Saskatchewan corrections workers had sick leave of 15.8 days and the annual cost of sick leave was over $4 million.[9]

The Ministry's labour costs related to absenteeism increased steadily from 2004 to 2009. For the nine months ended December 31, 2009, the Ministry's labour costs for all four correctional centres were $46.9 million. For this same period, overtime was $6.7 million or 14% of labour costs, up from $5.2 million in 2008.[10] The Ministry's 2009-10 overtime budget was $2.8 million.[11] If the Ministry does not adequately manage absenteeism and related labour costs, it faces the risk of excessive costs and undetected abuse of absenteeism.

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[6] *Ministry of Corrections Public Safety and Policing 2008-09 Annual Report*, p.6.

[7] The Collective Bargaining Agreement is an agreement on labour-related needs between the Government of Saskatchewan and the Saskatchewan Government and General Employees' Union (SGEU) for the period October 1, 2006 to September 30, 2009.

[8] Statistics Canada. Days lost per worker by cause, by province. Raw data. 22 May 2008.

[9] Ministry's 2009-11 Human Resources Plan. p.5 and reported to Ministry Union-Management Committee.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Ministry of Corrections, Public Safety and Policing had adequate processes, as of December 31, 2009, to manage provincial correctional centres' labour costs related to absenteeism.

We focused our audit on the management of absenteeism (including sick leave) and related overtime at provincial correctional centres. We did not audit labour costs related to other leaves (e.g. vacation, definite leave of absence, maternity/parental leave).

We define "absenteeism" as unscheduled absence from the workplace. Absenteeism includes corrections workers who are absent without informing a supervisor or who are on sick leave or worker's compensation. We define "sick leave" as short-term absence from work due to illness or injury. "Overtime" is hours worked beyond a regular shift or on a scheduled day off that is reimbursed with a cash payout at a higher rate of pay or banked time in-lieu of extra pay (banked time).

To conduct this audit, we followed the *Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants. To evaluate the Ministry's processes, we used criteria based on the work of other auditors, current literature, and consultations with management. The selected references section sets out the key sources for these criteria. The Ministry's management agreed with these criteria (see Exhibit 1).

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[10] We observed Ministry reports on labour costs, overtime costs, and the overtime budget for the four correctional centres.

[11] The overtime budget includes $1.7 million for premium pay for statutory holidays.

Exhibit 1—Audit criteria for managing absenteeism labour costs

To have adequate processes to manage provincial correctional centres' labour costs related to absenteeism, the Ministry should:

1. Set expectations for factors influencing labour costs
2. Schedule employees for effective service delivery
3. Analyze factors influencing labour costs to identify risks
4. Minimize factors driving excess costs

We concluded that, as of December 31, 2009, the Ministry of Corrections, Public Safety and Policing did not have adequate processes to manage provincial correctional centres' labour costs related to absenteeism.

In summary, the Ministry did not adequately set expectations, had weak processes to schedule employees for work, and did not adequately analyze factors that influenced labour costs or take action on known problems. As our findings explain, the Ministry:

- missed opportunities to communicate expectations
- did not set thresholds to monitor sick leave and excessive hours worked
- did not approve leaves of absence before leave was taken
- did not correctly record the hours worked by employees and did not pay employees accurately
- gave managers very limited information about costs or patterns of absenteeism, sick leave, and overtime
- did not take prompt and consistent action to address absenteeism and overtime costs

In the next section, we describe what we expected (in italics) and key findings for the four criteria together with our recommendations.

Key findings and recommendations for managing absenteeism labour costs

Expectations not clear

We expected the Ministry to set expectations for factors influencing labour costs by:

- *communicating expectations to employees*
- *setting thresholds for key performance expectations*
- *training managers to monitor labour costs*

The Ministry did not adequately set expectations for factors influencing labour costs.

The Ministry did not communicate guiding principles such as personal accountability and fiscal responsibility to employees. These guiding principles influence labour costs. As we explain later in this chapter, corrections workers and supervisors signed incorrect timecards leading to errors in pay.

The Ministry gave its employees detailed procedures to communicate some work expectations. For example, the Ministry explained how to record and approve time worked through orientation, job descriptions, the Public Service Commission's (PSC) Human Resources Manual, the CBA, and local policies. The Ministry also guided workers with directions on forms, training, and procedural directives. However, employees did not implement the Ministry's expectations.

For example, the Ministry directed supervisors to minimize labour costs whenever possible. However, supervisors told us they did not use staff meetings to talk with staff about guiding principles such as personal accountability and fiscal responsibility in relation to the cost of absenteeism. Also, supervisors seldom had one-on-one interviews with workers who frequently missed work for unexplained reasons. Front line in-scope supervisors told us that they were uncomfortable discussing absenteeism issues with colleagues who are also union members.

4. **We recommend the Ministry of Corrections, Public Safety and Policing communicate to employees guiding principles such as personal accountability and fiscal responsibility.**

Management used the thresholds for expected work-related behaviour set out in its union agreements. The collective bargaining agreement (CBA) set a maximum sick leave of 15 days per year and allowed unused sick leave to build up over time. Management did not communicate any other sick leave threshold as a target to work toward. Some local union agreements set a maximum of 16 hours of work daily for corrections workers. Management did not set any thresholds for how much overtime workers could accept in each pay period. A few workers chose to work so many overtime hours that they seldom had a day off work over many weeks. Working excessive hours may increase risks to the worker, other staff, or inmates as fatigue influences judgement and physical capacity, particularly during times of crisis.

5. **We recommend the Ministry of Corrections, Public Safety and Policing set formal thresholds to monitor sick leave and excessive hours worked and communicate these thresholds to corrections workers.**

Supervisors received general training that could help them monitor labour costs. For example, training courses in 2009 included management fundamentals, conflict resolution, leadership skills, and stress-management issues. In February 2010, front line supervisors received "HR Tools" training including sessions on attendance management and progressive discipline.

Employees do not work as scheduled

We expected the Ministry to schedule employees for effective service delivery by:

- *scheduling staff to meet anticipated needs*
- *establishing processes to handle contingencies*
- *balancing schedules equitably*

The Ministry established written processes for scheduling but correctional centres did not follow them.

Staffing needs change with the number and type of inmates (e.g., high risk) and the number of workers away from work for training, approved leave, or absenteeism. The Ministry assessed staffing needs in correctional centres using a standard method. For safety, each centre assigned a minimum number of corrections workers to security-post positions.[12] Each centre typically scheduled more workers for duty than the minimum required (e.g., through float positions[13] not assigned to a particular post). This allowed flexible coverage for crises, training, extra tasks, and to replace absent workers. In addition, to obtain enough staff to meet anticipated needs, the Ministry often asked some corrections workers to work additional hours at overtime pay rates.

The Ministry had a contingency plan at each centre in case there were more inmates than usual and communicated the plan to staff at each centre. The plan included adding extra corrections workers to handle high-risk situations. For example, to find extra workers, centres first used float positions, then called part-time workers (in order of seniority), and then asked corrections workers to work overtime (calling the next worker on a rotating list).[14] The Ministry aimed to reduce labour costs by using less costly float positions and part-time workers first. However, it still used considerable overtime resulting in high labour costs.

The Ministry planned to balance work schedules equitably so that workers had equal opportunity to work shifts with higher pay (e.g., nights, statutory holidays). However, the Ministry did not consistently control or monitor changes to schedules to maintain an equitable balance of shifts worked. Corrections workers changed their work schedules by trading their assigned shifts, with or without supervisor approval. This shift trading allowed corrections workers to take time off later, creating further changes to the planned schedule.

Additional changes to the planned work schedule occurred when workers arranged time off to use their banked time.[15] When corrections workers built up large amounts of banked time, these workers could take time off with management approval, sometimes creating the need to call in other workers, often at overtime rates of pay.

The cycle of overtime contributed significantly to increased labour costs. For example, for the nine months ending December 31, 2009, the Ministry paid 237 (26%) of its corrections workers overtime pay of $10,000 or more (i.e., through cash payout or banked time). For the year ended March 31, 2009, the Ministry paid 29 corrections workers so much overtime that their annual pay exceeded $100,000, when the average salary for corrections workers was about $50,000 per year.[16]

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[12] The minimum number of workers assigned to security posts (for safety) was set out in local letter of understanding (LOU) or union-management agreement.

[13] A float position was a full-time position used to manage employee absence in any unit within the centre.

[14] The rotating list was alphabetical or based on seniority depending on the centre based on the LOUs.

[15] When corrections workers worked extra shifts beyond their scheduled shift rotation, they earned overtime, which may be saved as banked time.

6. **We recommend the Ministry of Corrections, Public Safety and Policing monitor and control changes to work schedules to minimize labour costs in correctional centres (e.g., approval of shift trades, pay out of overtime).**

Risks influencing labour costs not identified

We expected the Ministry to analyze factors influencing labour costs to identify risks by:

- *keeping accurate information on absenteeism*
- *comparing actual to expected labour costs*
- *identifying patterns requiring prompt follow up*
- *reporting risk factors to managers promptly*

The Ministry did not have adequate processes to analyze factors influencing labour costs and identify risks.

The Ministry did not keep accurate records of time worked. Because time worked records were not accurate, the Ministry's labour costs were not accurate. The Ministry used timecards[17] to record hours worked for payroll purposes. Most centres paid corrections workers using timecards based on planned work schedules, not actual shifts worked. Workers and their supervisors both approved timecards that were not correct.

Shift trading[18] contributed to inaccurate records of time worked, particularly in two correctional centres. In one of these centres, corrections workers traded shifts without prior supervisor approval.[19] Sometimes management did not know who would report for duty on each shift. In addition, supervisors did not update work schedules to record who actually worked that shift, resulting in incorrect timecards and incorrect pay. The Ministry paid some workers for shifts that they did not actually work (including regular pay, weekend differential pay, and shift premium pay). The Ministry paid overtime pay to some workers who did not work extra hours. The Ministry paid some workers as if they worked 24 hours continuously even though they did not work the entire 24 hours.

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[16] This is based on an analysis of the 2008-09 Ministry Payee list.

[17] A timecard is a manual or electronic record of the time worked by an employee within a pay period.

[18] Workers traded shifts to create flexible schedules and shorten the days worked each week (e.g., by working 16-hour shifts instead of regular 8-hour shifts).

[19] This is set out in a LOU for that centre.

For regular shifts worked, we found that at the four correctional centres, 45% of timecards were wrong (i.e., the timecards did not reflect the actual hours worked by workers). For sick leave or overtime hours, 23% of timecards were wrong. Direct supervisors did not properly approve 75% of timecards. That is, the supervisor did not approve the timecard, approved the timecard after the corrections worker was paid, or approved an incorrect timecard.

In addition, 8% of timecards across all four correctional centres were not entered correctly into the payroll system. That is, the Ministry did not have processes to identify and correct payroll data-entry errors. In all cases, these errors resulted in paying corrections workers for hours they did not work.

Management told us that inaccurate recording of labour costs was due to its difficulties in tracking shift trades to actual hours worked. Because of these difficulties, the Ministry often paid corrections workers for shifts they did not work and did not pay workers for shifts they did work. Management in the correctional centres told us it left it up to corrections workers to correct wrong payments among themselves or to balance the shifts traded within a reasonable period. This resulted in overpayment to many workers and underpayment to many others. It also affected the accuracy of other earned benefits such as pensions and worker's compensation. The Ministry is responsible to pay its workers accurately.

7. **We recommend the Ministry of Corrections, Public Safety and Policing pay corrections workers for actual hours worked.**

8. **We recommend the Ministry of Corrections, Public Safety and Policing establish processes to verify accurate data-entry of hours worked into the payroll system before paying employees.**

The Ministry did not adequately compare actual to expected labour costs. In its monthly financial reports, the Ministry compared actual labour costs to those it expected. However, as explained above, the Ministry's labour costs for corrections workers were not accurate.

The Ministry did not regularly report to any level of management its actual costs compared to expected costs for absenteeism or sick leave. The Ministry did not identify expected absenteeism or sick leave costs in its human resource plan so it did not monitor these costs.

Once each year, the Ministry prepared a report comparing sick leave costs for the current and prior year. It did not monitor sick leave or absenteeism costs throughout the year.

The Ministry did not identify risks contributing to absenteeism patterns or report risks requiring prompt follow up. Management did not regularly ask for reports about specific absenteeism patterns (e.g., around long weekends or coinciding with certain events). It did not regularly identify work units with unacceptable patterns of absenteeism or related overtime use. The Ministry expected front-line supervisors to follow up on unusual situations; however, not all supervisors did. Formal reports would help management identify absenteeism patterns and control related costs.

Because the Ministry did not analyze absenteeism patterns, it could not report risk factors promptly to management and track progress in reducing these risks. For example, if absenteeism is consistently high, the Ministry could be at risk of adverse events happening due to insufficient or overworked corrections workers.[20]

9. **We recommend the Ministry of Corrections, Public Safety and Policing periodically analyze absenteeism patterns and regularly report to senior management the risk factors that influence labour costs in correctional centres. The analysis should include all types of absenteeism (e.g., use of sick leave, shift trades) and related overtime costs.**

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[20] Adverse events include riots, inmate escape, illness break-out, lock-down, etc.

Factors driving excess labour costs not minimized

We expected the Ministry to minimize factors driving excess costs by:

- *consulting with stakeholders*
- *using prevention strategies*
- *taking action on excessive absenteeism*
- *taking action on excessive overtime*

The Ministry did not have adequate processes to minimize factors driving excess costs.

The Ministry consulted with its stakeholders about labour costs.[21] Through the union, the Ministry asked corrections workers for input into policies and procedures relating to labour costs. The Ministry regularly discussed absenteeism at various meetings with the union and senior management. Regular staff meetings at the centres also gave corrections workers opportunities for input into local policies. The Ministry had opportunities to work with others to design ways to reduce labour costs. However, the Ministry had not yet taken sufficient action to adequately correct problems that influenced labour costs.

The Ministry used some prevention strategies that it hoped would reduce absenteeism and promote staff wellness. The Ministry promoted work-life balance by using job share programs, variable work-hours arrangements, and modified work-hours agreements. The Ministry provided access to health management programs and made referrals for counselling through the Employee Family Assistance program and the Critical Incident Stress Management program. It also had a job accommodation program to help injured workers return to work. The Ministry expects these programs to help workers handle challenges before they interfere with attendance at work.

The Ministry did not use supervisory structures[22] that enabled prompt action on excessive absenteeism. Supervisors can require a medical certificate as proof of illness. A few supervisors told us they used the Public Service Commission's progressive discipline procedures if they suspected abuse of sick leave (e.g., discussing absenteeism with the worker, letter on personnel file). However, not all supervisors were clear that this was their responsibility. Also, front line supervisors told us that because they were union members they did not feel they had the right to confront co-workers with excessive absenteeism. Front line supervisors told us they did not carry out all of the roles assigned to them, including using progressive discipline, because of their union membership.

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[21] The Ministry's stakeholders include employees, managers, unions, etc.

[22] Supervisory structures include clearly assigned roles and responsibilities that enable effective, ongoing supervision of a workplace and its workers during all shifts.

10. **We recommend the Ministry of Corrections, Public Safety and Policing establish adequate supervisory roles and responsibilities so that supervisors take prompt action on excessive absenteeism and overtime in correctional centres.**

In late 2009, the Ministry began to use an overtime reduction strategy to help it take action on excessive absenteeism and overtime. Also, the Ministry had been researching best practices for an attendance management policy over several years. It had not yet approved a policy to guide senior management and front line supervisors to take action consistently on unacceptable absenteeism patterns and excessive overtime.

11. **We recommend the Ministry of Corrections, Public Safety and Policing implement an attendance management policy.**

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Education

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Main points

The Ministry of Education (Ministry) is responsible for the Teachers' Superannuation Commission (Commission). The Commission has made some progress in addressing our previous recommendations. These recommendations include having adequate written analysis of its human resource needs and strategies to address these needs, adequate written guidance for staff to follow, staff compliance with written guidance, and supervision of staff.

The Ministry is responsible for setting standards for child care. It also regulates childcare through licensing and inspecting child care facilities. For the year ending February 28, 2010, the Ministry had adequate processes to regulate child care facilities except it needs to:

- Monitor key health, safety, and programming requirements of *The Child Care Regulations* during unscheduled visits to child care facilities and document its findings
- Report trends in child care facilities' compliance with *The Child Care Regulations* to senior management quarterly and to the public annually

Introduction

The Ministry of Education (Ministry) provides direction for Prekindergarten to Grade 12 education. As well, the Ministry provides leadership to the early learning and child care, literacy, and library sectors.[1]

The Ministry's responsibilities are set out primarily in *The Education Act, 1995*, *The Child Care Act*, and *The Public Libraries Act, 1996*.

The Ministry is also responsible for certain special purpose funds and agencies including the Teachers' Superannuation Commission (Commission). Our 2009 Report – Volume 3 reports the results of our audit of the Ministry, special purpose funds, and agencies for the year ended March 31, 2009. Our 2009 Report – Volume 3 did not include the results of our audit of the Commission because we had not completed our audit.

This chapter sets out the results of the audit of the Commission and the pension and benefit plans it manages for the year ended June 30, 2009. We also report the results of our audit of the Ministry's processes to regulate child care facilities.

Teachers' Superannuation Commission

The Commission operates under the authority of *The Teachers Superannuation and Disability Benefits Act* (Act). The Commission consists of seven members appointed by Cabinet. Three of the members are nominated by Saskatchewan Teachers' Federation, three by the Ministry of Education, and the Commission's Chairperson is nominated by the other six members.

The Commission administers the Teachers' Superannuation Plan (Plan) established under the Act. The Plan consists of the Teachers' Superannuation Fund, a defined benefit pension plan, and the Voluntary Contributions Fund that invests voluntary member contributions.

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[1] *Ministry of Education, 2008-2009 Annual Report*, p.5.

In 2008-09, the Plan recorded contributions of $10 million from teachers and $53 million from the Minister of Finance. At June 30, 2009, the Plan held total assets over $1,175 million and had accrued pension benefits of almost $5,247 million resulting in an unfunded pension liability of $4,072 million. The Commission's June 30, 2009 Annual Report includes the Plan's financial statements.

The Commission also administers the following benefit programs for teachers and their spouses and dependents:

- Teachers' Disability Program established under the Act with a June 30 year-end
- Teachers' Dental Program established under *The Teachers' Dental Plan Act* with a December 31 year-end
- Teachers' Group Life Insurance Program established under *The Teachers' Life Insurance (Government Contributory) Act* with a August 31 year-end

The Commission receives money from the General Revenue Fund (Ministry of Education) to pay for these benefit programs. In 2008-09, the Commission received and paid $6 million in disability claims, $9.3 million in dental claims, and $5.3 million in group life claims. Teachers do not pay for disability and dental benefits and pay half of the premiums required for group life insurance. The Commission has hired an insurance company to help administer the Dental and Group Life Insurance benefit programs.

The Commission does not prepare complete financial statements for the Disability and the Dental benefits programs. Instead the Commission provides some financial information in the Plan's financial statements and its annual report. The Commission plans to prepare a separate annual report including audited financial statements for the Group Life Insurance Program for the year ended August 31, 2009.

Our audit conclusions and findings

In our opinion, for the year ended June 30, 2009:

- **the Commission had adequate rules and procedures to safeguard public resources except for the matters described below**
- **the Commission complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described below**
- **the Plan's financial statements are reliable**

We continue to make nine recommendations to help the Commission establish adequate processes. These processes include an adequate written analysis of its human resource needs and strategies to address those needs, adequate written guidance for staff to follow, staff compliance with written guidance, and supervision of staff.

Human resource plan needed

In our 2008 Report – Volume 1, we recommended that the Commission identify its human resource needs and develop strategies to address any competency gaps. The Standing Committee on Public Accounts (PAC) considered this matter in June 2008 and agreed with our recommendation.

When employees do not have the needed competencies, they may hesitate to do assigned tasks or do them incorrectly.

The Commission made limited progress in developing a human resource plan. It continued to hire staff to replace staff that left the Commission without formally assessing its human resource needs and the strategies required to address any competency gaps.

We continue to recommend that Teachers' Superannuation Commission identify its human resource needs and develop strategies to address any identified competency gaps.

Management told us it will work with the Ministry of Education and the Public Service Commission to develop a human resource plan in order to address any competency gaps.

Control over cash and bank accounts needed

The Commission needs to establish adequate processes to control cash receipts, payments, and its bank accounts. Without adequate processes, it faces the risk of losing public money.

Payments without support

In our 2009 Report – Volume 1, we recommended the Commission have adequate support for all payments. PAC considered this matter in September 2009 and agreed with our recommendation.

The Commission lacks proper support for payments made to the insurance company for dental benefits and administration of those benefits. Without adequate processes to pay benefits and proper support for payments, the Commission is at greater risk of making incorrect payments.

The Commission has an agreement with an insurance company for it to administer teachers' dental benefits. For the year ended December 31, 2008, the Commission paid dental benefits of $9.3 million. The Commission makes monthly payments to the insurance company for administering and paying teachers' dental benefits. However, it makes these payments without an adequate invoice showing the amount of dental benefits paid and the costs of administration. Also, the Commission has not verified the invoice to the monthly report of dental benefits paid.

We continue to recommend that the Teachers' Superannuation Commission prepare adequate support for dental payments.

Management told us it continues to work with the insurance company to obtain adequate financial information to reconcile the amount paid to the monthly report of dental benefits adjudicated and for preparing financial statements for the program.

Contributions into and payments out of the Teachers' Superannuation Fund lack authority

In our 2009 Report – Volume 1, we recommended the Commission comply with the Act for contributions into and payments out of the Teachers' Superannuation Fund. PAC considered this matter in September 2009 and agreed with our recommendation.

Section 9 of the Act allows the Fund to accumulate contributions from teachers, contributions from the General Revenue Fund, and investment income to pay pension benefits. The contributions and investment income are specifically for providing pension benefits. The Act does not allow the Fund to receive money to pay disability benefits. Section 38 of the Act indicates that disability benefits are a charge and payable from the General Revenue Fund.

During 2008-09, the Commission received $6 million from the General Revenue Fund to pay disability benefits and deposited it into the Teachers' Superannuation Fund (Fund) bank account. The Commission also paid disability benefits from the Fund's bank account. The money deposited into the Fund and paid out for disability benefits is without authority.

We continue to recommend the Teachers' Superannuation Commission comply with *The Teachers Superannuation and Disability Benefits Act* for contributions into and payments out of the Teachers' Superannuation Fund.

Management told us it is developing a plan to have the disability payments paid out of a separate bank account while ensuring that there is no interruption to those receiving disability benefits.

Need to reconcile bank accounts

In our 2009 Report – Volume 1, we recommended Commission follow its rules and procedures for reconciling its bank accounts to its financial records. PAC considered this matter in September 2009 and agreed with our recommendation.

The Commission has established a policy to reconcile its recorded bank balances to the bank's records promptly. The policy includes an independent review and approval of completed bank reconciliations.

However, employees did not reconcile all bank accounts promptly. For example, the Commission reconciled the Voluntary Contribution Fund and Superannuation Fund bank accounts for October 2008 at the end of January 2009. Prompt reconciliations reduce the risk of losing money and having incorrect financial records.

We continue to recommend the Teachers' Superannuation Commission follow its rules and procedures for reconciling its bank accounts to its financial records.

Management told us it has implemented and communicated a new bank reconciliation policy to staff and that it is maintaining a completion log.

Monitoring of investments needed

In our 2009 Report – Volume 1, we recommended the Commission establish adequate processes to verify the existence of investments and that they are properly valued and recorded in its financial records. PAC considered this matter in September 2009 and agreed with our recommendation.

The Commission does not have adequate processes to detect promptly if any of its investments are missing, incorrectly valued, and incorrectly recorded in the financial records. This may lead to incorrect decisions.

The Commission's written guidance requires staff to reconcile investments reported by the custodian and investment manager to financial records each quarter based on both cost and market value. Although, the Commission completed the quarterly reconciliations, staff did not leave evidence for three quarters as to who prepared, when, and who approved the reconciliations.

Staff did not obtain assurance from the custodian about the adequacy of the processes the custodian used for safeguarding the Plan's investments.

The Commission's established procedures require staff to verify the value of real estate investments totalling approximately $72 million. The Commission's policies require staff to review quarterly independent appraisal reports, ownership interests, and audited annual financial statements for its real estate property. The Commission's staff did not verify the value of real estate holdings promptly. The staff verified the holdings several months after the quarters ended.

We continue to recommend that the Teachers' Superannuation Commission establish adequate processes to verify the existence of investments and that they are properly valued and recorded in its financial records.

Management told us it has now instructed staff to sign and date the investment reconciliations when prepared and approved.

Management also told us it will request and review the custodian's internal control report on an annual basis to ensure that the custodian has adequate controls to safeguard investments.

In addition, management told us it has asked staff to complete quarterly verification of real estate holdings within 30 days and review it within 45 days after the quarter end. Staff are also required to formally inform management upon its completion.

Adequate insurance agreements

The Commission needs an adequate process for establishing and monitoring agreements with an insurance company.

Agencies need written guidance for establishing and monitoring their agreements. Guidance helps agencies ensure that all relevant terms and conditions of the agreements are set out and complied with. Guidance would include outlining the terms and conditions of both parties to the agreements. Without adequate written guidance, agencies risk not receiving what they are entitled to, failing to do what they have agreed to do, and paying incorrect amounts for goods/services.

The Commission does not have adequate written guidance for setting and monitoring agreements. For the Dental Program, the Commission has not outlined the reports it needs to monitor the cost of benefits. As a result, management is not receiving adequate reports to support its payments for dental plan benefits and administration.

For the Group Life Insurance Program, the agreement with the insurance company does not outline all the terms and conditions of both the Commission and the insurance company. The agreement does not indicate the premium rate for accidental death and dismemberment insurance coverage, and who is responsible for benefit costs exceeding the premiums.

1. **We recommend that the Teachers' Superannuation Commission implement adequate processes to establish and monitor agreements with the insurance company.**

Management told us it is working with the insurance company to ensure that there is adequate disclosure within subsequent contracts. Management also told us it will develop written guidance for the setting and monitoring of agreements.

Processes to oversee actuarial valuations needed

In our 2009 Report – Volume 1, we recommended the Commission follow its written guidance for preparing valuations of accrued pension and disability benefits and related plan assets. PAC considered this matter in September 2009 and agreed with our recommendation.

The Commission plans to complete an actuarial valuation for the year ended June 30, 2009 for use in its June 30, 2010 financial statements. We will examine the Commission's progress in addressing this recommendation during our 2010 audit.

Processes for preparing financial reports needed

In our 2009 Report – Volume 1, we recommended the Commission establish complete and written guidance for preparing interim and year-end financial reports. PAC considered this matter in September 2009 and agreed with our recommendation.

Adequate accounting policies and procedures help staff to prepare accurate and timely financial reports. The Commission does not have adequate accounting policies and procedures to prepare accurate interim and annual financial reports.

During 2008-09, the Commission made progress in improving its written guidance for preparing its interim and year-end financial reports. Staff prepared quarterly financial statements for the pension plan in addition to its annual financial statements. Staff also prepared financial records for the Group Life Insurance Program and began preparing its annual financial statements for the year ended August 31, 2009. As of September 2009, the Commission had not yet prepared financial records for the Dental and Disability Programs. Further, the lack of accurate and timely financial records prevented the staff from preparing accurate interim financial reports for senior management and the Commission.

We continue to recommend the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports.

Management informed us it continues to develop a financial statement process for the Dental and Disability plans. In the interim, the Commission members are provided with summarized financial information for the Dental and Disability plans.

Complete annual report needed

In our 2008 Report – Volume 1, we recommended that the Commission's annual report include a report on the activities and the financial statements of each benefit plan the Commission administers. PAC considered our recommendation in June 2008 and concurred with it.

The Commission provides limited information about the Group Life Insurance, Dental, and Disability Programs and does not provide complete financial statements for those programs to the Legislative Assembly. Also, its 2009 Annual Report does not describe the goals and objectives of these benefit programs, the cost of providing those benefits, and who pays for them. Without this information, legislators, plan members, and the public cannot assess the plans' performance and the Commission's effectiveness in administering these programs.

The Commission provides to the Legislative Assembly audited financial statements for the Teachers' Superannuation Plan and a report on the Plan including the benefit programs the Commission administers. Currently, we are auditing the Group Life Insurance Program financial statements for the year ended August 31, 2009. Management told us it plans to prepare a separate report on the activities of the Group Life Insurance Program and submit the report and the audited financial statements to the Legislative Assembly.

We continue to recommend that the Teachers' Superannuation Commission's annual report include a report on the activities and the financial statements of each benefit program the Commission administers.

Management informed us it continues to develop a financial statement process for the Dental and Disability Programs. Management also told us it plans to disclose these financial statements within the Teachers' Superannuation Commission's annual report.

Regulating child care facilities

The Ministry of Education (Ministry) is responsible under *The Child Care Act* to set standards for child care, and to license and inspect child care facilities. In 2008-09, the Ministry licensed 449 child care facilities and spent over $31.3 million for services related to child care.[2]

The Child Care Act (s.2) defines child care facilities to include:

- licensed family child care homes (where services are provided in a residential home to no more than eight children at any one time)[3]
- group family child care homes (where services are provided in a residential home to no more than 12 children at any one time)
- child care centres (where services are provided in non-residential settings such as schools or community halls, rather than in a residential home)

The purpose of the Ministry's Early Learning and Child Care Program is to support families and communities by promoting high quality care for children in a safe, nurturing environment. The Ministry licenses and monitors child care facilities and provides information about child care to the public.

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[2] 2008-09 Annual Report, Ministry of Education, p.32.

[3] Residences where child care services are provided to eight or fewer children can be licensed as a child care facility or may be unlicensed. We did not audit unlicensed child care.

As of March 31, 2009, there were 9,700 Saskatchewan children in licensed child care spaces.[4] The Government funded the development of 1,500 new licensed child care spaces in 2009-10.[5] Children spend many hours in child care facilities. If the Ministry does not have adequate processes to regulate child care facilities, the safety and well-being of children receiving care may be at risk.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Ministry of Education had adequate processes to regulate child care facilities for the year ending February 28, 2010.

To conduct this audit, we followed *The Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants.

To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Ministry's management agreed with the criteria.

Our criteria require that to have adequate processes to regulate child care facilities, the Ministry should:

- communicate standards for child safety and well-being
- license eligible child care facilities
- monitor child care facilities to enforce standards

We concluded that, for the year ending February 28, 2010, the Ministry of Education's processes to regulate child care facilities were adequate except for monitoring and reporting facilities' compliance with *The Child Care Regulations*.

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[4] 2008-09 Annual Report, Ministry of Education, p.5.

[5] 2009-10 Performance Plan, Ministry of Education, p.10.

In the next section, we set out our expectations (in italics) with our key findings and recommendations.

Key findings and recommendations

Communicate standards for child safety and well-being

We expected the Ministry to communicate standards for child safety and well-being by:

- *reviewing best practices to update standards for child care*
- *educating child caregivers*

The Ministry reviews best practices to monitor whether its child care standards are up to date. Management told us it uses several sources to identify best practices including national and international literature about early childhood development programs. In addition, the Ministry works closely with other provincial and territorial governments to share best practices for child care.

The Ministry requires all child caregivers in licensed facilities to take early childhood education training.[6] In addition, the Ministry provides educational materials and learning opportunities to child caregivers. The Ministry also gives a Child Care Licensee Manual to all licensed child care facilities. The Manual explains each section of *The Child Care Regulations* (Regulations), provides detailed guidelines, and outlines some best practices. The Ministry communicates changes to the Licensee Manual through its website and in letters to the child care facilities. Also, the Ministry provides information sheets to child care facilities when new topics of concern arise. For example, it provided health information during the 2009 H1N1 pandemic.

In addition, the Ministry developed an Early Learning Program Guide to promote high quality play-based learning for children three to five years old. The Ministry shares this Guide widely and offers workshops across the province. To complement this Guide, the Ministry has a program to help child caregivers visit centres that use the play-based learning described in the Guide.

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[6] *The Child Care Regulations* (s.36-2 and s.60) require persons employed in child care centres more than 65 hours/month to complete this education at an accredited public college or university.

License eligible child care facilities

We expected the Ministry to license eligible child care facilities by:

- *verifying applicants meet requirements*
- *identifying risks to child safety and well-being*
- *issuing licenses promptly to qualified facilities*
- *establishing a dispute resolution process*

The Child Care Regulations set out in detail what is required to operate child care facilities (e.g., space, equipment, staffing). The Ministry uses standard checklists annually to verify that applicants meet the requirements of the Regulations. When licensing new facilities, program consultants assess whether the applicants meet all requirements of the Regulations by completing the checklist. The Ministry consistently records the findings of these assessments in an electronic database. When applicants meet all the requirements, they receive a license. The Ministry maintains electronic files and some supporting paper files that verify the licensed homes and centres meet the requirements of the Regulations.

The Ministry uses several tools for identifying risks to child safety and well-being in child care homes. It requires and obtains criminal record checks on home operators and on all adults living in child care homes. It requires written references and carries out an initial home environment inspection to screen applicants wanting to start child care homes.

The Ministry uses similar tools to identify risks to children in child care centres, recognizing that the Regulations require child care centres to have boards of directors. For example, to reduce risks to children, these boards are responsible to arrange for criminal record checks and tuberculin tests before new staff start work. The boards also must ensure their staff hold current certificates in CPR, first aid, and early childhood education. The Ministry requires boards to report on summary sheets whether they have met these requirements. Program consultants verify the information on these summary sheets and work with boards to resolve identified issues.

The Ministry issues licenses promptly when facilities comply with the Regulations. The Ministry gives its three regional directors authority to sign and issue licenses as recommended by program consultants and their supervisors who verify that all requirements are met. The time it takes to issue a license depends on how quickly a child care facility fully complies with the Regulations. When facilities comply with the Regulations, most facilities receive their license within a month.

The Ministry has established a dispute resolution process and describes it in the Licensee Manual. Any child care facility that does not agree with the Ministry's licensing decision can request that the Minister review the decision. When the Ministry decides to cancel a license, it notifies the home operator or board by letter, outlining the reason for termination and explaining the appeal process.

Monitor child care facilities to enforce standards

We expected the Ministry to monitor child care facilities to enforce standards by:

- *inspecting child care facilities*
- *investigating promptly reported breaches/complaints*
- *addressing identified non-compliance*
- *reporting non-compliance with standards*

The Ministry's policy on inspecting child care facilities requires an initial inspection, an annual review, and two unscheduled visits per year. Program consultants use a standard checklist to conduct initial inspections and annual reviews. The checklist is based on the Regulations and program consultants record their findings consistently.

The Ministry provides program consultants with less guidance about unscheduled visits. The purpose of these visits is to identify safety hazards or poor quality care, and to inspect child care facilities at times other than annual re-licensing to monitor continued compliance with the Regulations. The Ministry does not require that program consultants check specific elements of the Regulations during unscheduled visits.

The Ministry hires knowledgeable, experienced program consultants and uses a mentoring process to train them to do unscheduled visits. If there were previous complaints about a facility, some program consultants might focus on those and not look for new issues. We found program consultants recorded brief notes of their visits but did not consistently comment on key aspects of the Regulations (i.e., safe play areas, nutrition, access to suitable toys and equipment, or other critical elements of a child care environment).

2. **We recommend that the Ministry of Education monitor key health, safety, and programming requirements of *The Child Care Regulations* during unscheduled visits to child care facilities and document its findings.**

A Ministry policy sets out requirements for investigating complaints and reported breaches of the Regulations. The Ministry communicates this policy in the Licensee Manual and a consultants manual. Program consultants conduct these investigations by collecting and analyzing relevant information. If consultants suspect child abuse, they refer the matter to Family Support and Child Protective Services of the Ministry of Social Services.

The Ministry requires program consultants to follow up immediately any complaints related to child protection or abuse. The Ministry followed its policies for timely investigation by completing, within 30 days, its investigation of complaints and breaches of the Regulations.

The Ministry addresses non-compliance with the Regulations when issues arise during unscheduled visits and annual reviews. Program consultants decide how to handle the non-compliance as it varies with the nature of the issue and the facility's response. Program consultants discuss non-compliance with the operator/director of child care facilities and send a formal letter if non-compliance continues. The letter outlines the sections of the Regulations that are not being complied with, and explains how to comply within an acceptable timeframe.

Program consultants also recommend to regional directors when to issue provisional licenses.[7] Generally, child care facilities receive provisional licenses when there are several non-compliance issues or the facility has a prior history of non-compliance. Records show that program consultants monitor facility progress. When a facility complies fully with the Regulations, the Ministry issues a regular license.

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[7] A provisional license may be issued when a facility is not in compliance with the Act or Regulations. The license lists the sections of the Regulations that the facility has not met. Provisional licenses are issued for a period no longer than six months.

The Ministry reports non-compliance with the Regulations to parents by posting in the facility a provisional license that states which aspect of the facility does not meet requirements. When a child care facility has its license suspended or revoked, the Ministry sends a letter to the children's parents to explain and give them the date the facility will close. If the Ministry revokes a license, it informs the Minister responsible in writing.

The Ministry does not routinely provide written reports to senior management about facilities that are not complying with the Regulations. The Ministry gives senior management a written report only if non-compliance is ongoing or of such a serious nature that a license is suspended or a provisional license issued.

The Ministry does not report on trends in how well facilities comply with the Regulations. Regular written reports about overall non-compliance rates and causes would help senior management monitor the level of risk to children, the Ministry's reputation, and effective use of public money. The Ministry should report compliance trends to senior management quarterly and to the public annually, for example on its website or in its annual report.

3. **We recommend the Ministry of Education report trends in child care facilities' compliance with *The Child Care Regulations* to senior management quarterly and to the public annually.**

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Health

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Main points

We assessed the adequacy of the Ministry of Health's processes to buy information technology (IT) services (including IT consultation, oversight, and development and testing of programs and processes). The Ministry needs strong buying processes to ensure it receives quality services at the best value without becoming dependent on any one source of supply. We concluded that the Ministry did not have adequate processes to buy IT services for the period from January 1 to December 31, 2009.

The Ministry needs to establish a process to provide feedback to unsuccessful vendors and deal with vendors' disagreements. It also needs to ensure all requests for proposals for specific IT expertise and services include complete criteria for evaluating those proposals and use consistent documentation for selecting vendors. In addition, the Ministry must use its own employees to hire employees of IT vendors (contract staff), properly oversee its contract staff, and assess and record vendors' performance.

We make eight recommendations for the Ministry to help strengthen its processes.

Introduction

The Ministry of Health (Ministry) facilitates the development, coordination, and use of information and technology solutions to support continuous improvements in delivering health care in Saskatchewan. The Ministry does so through its branch called the Health Information Solutions Centre (HISC). HISC develops and integrates health care information systems, supports the use of information for health care planning and accountability, and manages the provincial network that links health regions, facilities, and agencies.[1]

Our 2009 Report – Volume 3 reports the results of our audit of the Ministry for the year ended March 31, 2009. This chapter reports the results of our audit of the Ministry's processes to buy information technology services for the period from January 1 to December 31, 2009.

The Ministry manages the Saskatchewan Health Information Network (SHIN), a Crown corporation. SHIN does not have any employees. The Ministry uses SHIN to develop information technology (IT) systems and provide IT services through private sector vendors. Through SHIN, the Ministry makes all requests for proposals (RFPs) for IT services and makes contracts with vendors in SHIN's name. During 2009, SHIN made agreements totalling $3.4 million and had $22 million of continuing agreements to buy IT services from vendors for the Ministry. In 2009, the Ministry's IT branch had 94 full-time employees and 175 employees of vendors (contract staff).

The Ministry needs strong buying processes to ensure it receives quality services at the best value without becoming dependent on any one source of supply. Inadequate processes increase the risk of waste of resources, delays in service delivery, and inferior services.

If buying practices are not fair, transparent, and competitive, or are perceived to be so, the Ministry could lose public confidence, reputation, and future access to quality services.

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[1] http://www.health.gov.sk.ca/about-hisc.

Audit objective, criteria, and conclusion

The objective of this audit was to assess the adequacy of the Ministry's processes for the period from January 1, 2009 to December 31, 2009 to buy IT services. IT services include services relating to IT consultancy, oversight, and development and testing of programs and processes.

To conduct this audit, we followed *The Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants. To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Ministry's management agreed with the criteria (see Exhibit 1).

Exhibit 1—Audit criteria

To have adequate processes to buy IT services, the Ministry of Health should:

1. Define the need and specifications for required services
2. Obtain proposals fairly
3. Select suppliers fairly for required services
4. Monitor performance of the process to buy

We concluded that, for the period from January 1, 2009 to December 31, 2009, the Ministry of Health did not have adequate processes to buy IT services.

Detailed findings and recommendations

In this section, we set out our expectations *(in italics)*, findings, and recommendations by criterion.

Define the need and specifications for required services

We expected the Ministry to define its needs in sufficient detail for understanding and define its specifications to encourage open and effective competition. We expected the Ministry's requirements would include matters like deliverables, delivery dates, and conflict of interest rules. We expected those requirements would be consistent with government policy.

As we state earlier, the Ministry uses SHIN to acquire information technology (IT) products and services. Because SHIN is a Crown corporation, it is exempt from the provisions of *The Purchasing Act*. All government agencies that are subject to *The Purchasing Act* must work with the Ministry of Government Services to buy supplies including services. Working with the Ministry of Government Services helps ensure that purchasing processes are transparent, fair, and competitive.

The Ministry has adequate processes for defining the need and specifications of required services from vendors. Its policies require employees to clearly describe what they need and why, and provide sufficient details to enable preparing RFPs if the Ministry needs to seek bids from vendors. Employees must also describe the deliverables and delivery dates for IT services.

The Ministry requires employees to follow established policies relating to conflict of interest when suggesting possible vendors for the services. The purchase requests must be properly approved.

In summary, the Ministry has adequate processes to define the needs and specifications for required services.

Obtain proposals fairly

We expected the Ministry to obtain proposals fairly by identifying feasible sources of services needed and obtain authorization to initiate proposals. We also expected the Ministry to give equal and fair treatment to potential suppliers.

The Ministry obtains proposals in two stages: RFPs for prequalification (called consulting services supply arrangements) and RFPs for specific projects (called requests for resources).

Once every three years, the Ministry seeks proposals (prequalification RFP) from vendors to pre-qualify for future specific projects or supplies. The latest RFP was in 2008 and that RFP was open to all vendors throughout Canada. To help ensure maximum response, the Ministry published this RFP on www.SaskTenders.ca, a public website that is accessible to vendors throughout Canada.

The prequalification RFP sets out the purpose, expertise required, response due date, evaluation criteria, weighting scheme, and minimum points required to pre-qualify for future work. The RFP includes terms and conditions relating to important matters (e.g., confidentiality of information, conflict of interest). The RFP describes that vendors need to score a minimum of 72 per cent to pre-qualify for future specific projects. The RFP provides sufficient details to vendors to make their submissions. The Ministry advises only those vendors who are successful in securing the RFP. However, the Ministry does not always provide unsuccessful vendors debriefing of their proposals and ranking. Nor does the RFP set out an appeal mechanism in case of complaints from vendors. When vendors do not know their evaluation score, they perceive the evaluation processes as not fair or competitive.

Lack of fair, competitive, and transparent processes, or a process that is perceived to be not fair and competitive, increases the risk of loss of public confidence, reputation, and future access to quality services.

The second stage RFPs contain details of required specific expertise or services, timeframe, expert's profile, and experience support. The Ministry sends these RFPs to only pre-qualified vendors. The second stage RFPs do not describe the Ministry's complete evaluation criteria for awarding the work. The Ministry has not established guidance for evaluating the proposals received and documenting the decisions. Nor did the Ministry always document how it communicated the evaluation results to unsuccessful vendors.

Management told us that to obtain the specific expertise or services the Ministry reviews the profiles of experts the vendors proposed and interviews the selected experts. The documentary evidence of reviews of profiles and the interview process was not always available.

An update to the Ministry's policy manual dated March 2010 states the processes to buy services should be fair and transparent. However, it provides no guidance how to achieve this objective in evaluating RFPs.

Lack of documented processes to evaluate proposals increases the risk of waste of resources, delays in service delivery, and inferior services.

1. **We recommend the Ministry of Health establish a process to debrief unsuccessful vendors on their information technology proposals.**

2. **We recommend the Ministry of Health establish an appeal mechanism to deal with vendors' complaints/disagreements.**

3. **We recommend the Ministry of Health establish processes to ensure all requests for proposals for specific information technology expertise or services include complete criteria for evaluating those proposals.**

Management told us that the Ministry has revised the IT policy manual effective April 2010 requiring changes to RFPs processes and setting up a process of vendor debriefing and an appeal mechanism.

Select suppliers fairly for required services

We expected the Ministry to select suppliers fairly for required services by evaluating all proposals for best value (e.g. use the same process for all proposals–evaluate price, quality, delivery, service, warranty). We also expected the Ministry to obtain appropriate approval to buy services and to inform bidders of the purchase decision.

As we stated earlier, the Ministry does not have adequate process to evaluate proposals for specific expertise or services. The Ministry needs to set up a standard process to evaluate all proposals, inform all vendors about the standard process, and debrief vendors when they were not successful.

The Ministry did not use consistent evaluation documentation for each specific project proposal. Some proposals had adequate support for selecting certain vendors but such documentation was not available for all selected proposals. Management told us that the Ministry uses an interview process to evaluate proposals and that one of its employees participates in that interview to ensure fairness and consistency of evaluation. However, as we state earlier, documentary evidence of the Ministry's reviews of profiles of experts and the interview process was not always available.

4. **We recommend the Ministry of Health use consistent evaluation documentation for selecting vendors for specific information technology expertise or services.**

Directors or project managers evaluate proposals received from various vendors for their projects. Often, these directors/project managers are vendor employees. Directors/project managers then staff their projects using the Ministry's employees or employees of vendors as needed. As we stated earlier, many of the directors/project managers are themselves vendor employees (contract directors/project managers) and often hire individuals from their own organizations (contract staff) to staff their projects. The directors/project managers supervise the contract staff, assess their performance, and recommend approval of payments for their services. This puts the contract directors/project managers in a conflict of interest. During our audit period, about 17% of proposals resulted in contract directors/project managers supervising staff hired from their own organizations.

The Ministry must corroborate the receipt of services using other independent sources (e.g., independent expert) when the individuals recommending payments for approval are employees of the same vendors. As we stated earlier, some vendor employees at the Ministry supervised vendor employees they hired from their own organizations and recommended approval for payments for their services.

Management told us that the Ministry has mitigated the risk of improper payments by requiring the Ministry's senior officials to approve the payment for services. However, documentary evidence of the senior officials' corroboratory efforts was not always available.

To avoid a conflict of interest, the Ministry must use its employees to supervise contract workers or not allow contract directors/project managers to hire contract workers from their own organizations.

5. **We recommend the Ministry of Health use its employees to hire employees of information technology vendors.**

6. **We recommend the Ministry of Health obtain periodic independent updates of projects that are managed and staffed with vendor employees.**

The Ministry makes timely contracts with successful vendors relating to deliverables, delivery timeframe, fee structure, and the maximum fee. The services outlined in the contract are consistent with the services requested in the related RFP.

Monitor performance of the process to buy

We expected the Ministry to obtain timely feedback from users, take internal action on feedback received, and report performance problems to suppliers. We also expected the Ministry to evaluate change requests.

As part of its payment process, the Ministry requires staff to document the receipt of services. The Ministry staff must monitor and confirm that the Ministry received the expected services. However, such confirmation for payment purposes alone is not sufficient to assess the performance of the vendors supplying services. Nor would it be consistent for all vendors because different individuals assess vendors' performance without using a standardized process. As well, some contract directors/project managers supervise contract staff they hire from their own organizations.

The Ministry should establish a standard process for assessing vendors' performance and communicate the process to those who assess vendors' performance. The Ministry should keep track of vendors' performance.

Lack of a standard process for assessing performance increases the risk that the Ministry may continue to use vendors with performance problems. This risk is greater when directors/project managers making contracting decisions are not employees of the Ministry.

7. **We recommend the Ministry of Health establish adequate processes for assessing information technology vendors' performance.**

8. **We recommend the Ministry of Health keep records of vendors' performance to help decide future information technology services contracts.**

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Highways and Infrastructure

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Main points

The Ministry of Highways and Infrastructure is responsible for maintaining the provincial highways. In 2008-09, the Ministry spent almost $130 million on highway maintenance. Maintenance focuses on activities to keep the surface of the highways in good repair. Doing the right maintenance at the right time reduces long-term costs and minimizes the risk of pavement damage and failure of highways. Poor highway conditions can adversely affect our economy and safety of travel.

Saskatchewan has 26,000 kilometres (km) of provincial highways. Asphalt concrete and granular pavements, excluding pavements in the National Highways System, account for almost 12,000 km of the provincial highways. At March 31, 2009, the Ministry had adequate processes to maintain those highways except for the following matters.

The Ministry needs to set and use long-term service-level objectives. Use of those objectives would help the Ministry select the right maintenance activities at the right time. Because the Ministry has not set those objectives, it is unclear if the condition of highways is at the level the Ministry expects. The Ministry needs to use service-level objectives to guide the prioritization of its maintenance activities. Use of objectives would provide staff with a basis to make decisions on maintenance activities consistent with the Ministry's priorities. Improper priorities increase the risk that highways are not maintained as expected.

Although required, staff did not give senior management reports on the results of its maintenance activities (e.g., the surface condition of all highways compared to expected, impact of uncompleted work on the condition of the highways, status of planned work). Senior management need sufficient information to monitor the success of the Ministry's maintenance activities.

Introduction

This chapter describes the results of our audit of the Ministry of Highways and Infrastructure's (Ministry's) processes to maintain provincial highways.

Background

The Highways and Transportation Act, 1997 gives the Ministry responsibility for all matters relating to highways including the maintenance of provincial highways. The Ministry's mission is to optimize the role of transportation as it relates to the economic and social development of the province of Saskatchewan.[1]

Saskatchewan's road network consists of 26,398 kilometres (km) of highways, including 9,644 km of asphalt concrete pavements, 4,888 km of granular pavements, 5,645 km of thin membrane surface highways, 5,941 km of gravel highways, and 280 km of ice roads.[2] For the year ending March 31, 2009, the provincial highway system had a recorded cost of over $3 billion and net book value of about $1.6 billion. On average, the system was about half way through its useful life of 40 years.

The Ministry's staff is located throughout the province. The Ministry has divided the highways system into three regions; each region is divided into areas; each area is further divided into sections. Staff within each level is assigned responsibility for the maintenance of a specific group of highway segments.[3]

Exhibit 1 sets out the Ministry's spending on preservation (maintenance) and infrastructure capital (road construction) over the last five years. Also, the exhibit sets out the results of Ministry's public performance measures related to preventative maintenance.

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[1] *Ministry Highways and Infrastructure. Plan for 2009-10*, p.1.

[2] *08-09 Annual Report. Ministry of Highways and Infrastructure*, p.6.

[3] A highway segment is a homogenous piece of road with a defined start and end point.

Exhibit 1

	2008-09	2007-08	2006-07	2005-06	2004-05
Spending on:[4] (in millions of $)					
Preservation[5]	129.9	128.1	110.3	73.3	71.4
Infrastructure Capital	215.0	170.0	134.0	124.8	120.5
Measurement results[6]					
Per cent of National Highway System[7] in "good" condition	94%	94%	n/a	n/a	n/a
Per cent of kilometres resurfaced on National Highway System to meet the targeted life cycle	5.4%	4.5%	2.9%	n/a	n/a

Key: n/a – information not available

The Ministry identifies preservation of the transportation system as one of its key programs. Preventative maintenance focuses on activities to keep the surface of the highways in good repair to reduce the risk of damage to the underlying structure of the highways. Doing the right preventative maintenance at the right time reduces long-term costs and minimizes the risk of pavement damage and failure of highways.

The Ministry refers to its maintenance activities as treatments. It has organized these treatments into three main groups.

1. routine and light treatments (e.g., crack sealing & filling)
2. medium treatments (e.g., light seal & micro-resurfacing)
3. heavy treatments (e.g., overlay (resurfacing))

Ministry staff carry out routine and light treatments. The Ministry contracts private sector companies to carry out medium and heavy treatments.

Keeping Saskatchewan's transportation system safe and in good repair is vital to our economy.

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[4] (2005-2009). Public Accounts – Volume 2. Details of Revenue and Expenditure. Dollar amounts are not adjusted for inflation.

[5] The 2004-05 to 2006-07 amounts include the total spending on surface preservation and the Strategic Partnership Program – Road Management as reporting in Public Accounts – Volume 2 of the related year.

[6] *08-09 Annual Report. Ministry of Highways and Infrastructure*, p.15.

[7] The National Highways System is made up of about 2,700 km of roads that link Saskatchewan to regional, national, and international economies and markets. (*08-09 Annual Report. Ministry of Highways and Infrastructure*. p.15.)

Audit objective, criteria, and conclusion

The objective of this audit was to assess the adequacy of the Ministry's processes for the year ending March 31, 2009 to maintain provincial highways excluding thin membrane surface, gravel, ice roads, and highways that are part of the National Highway System. In this chapter, we refer to these provincial highways as highways.

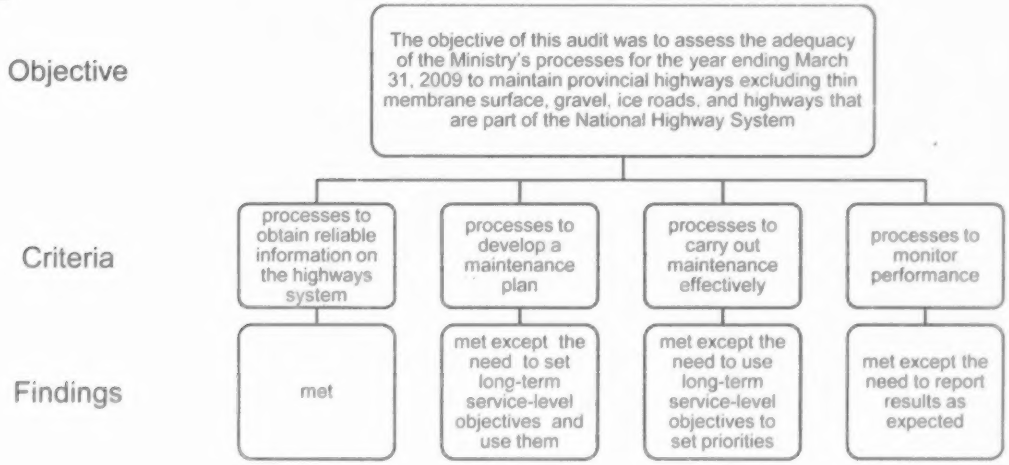
To conduct this audit, we followed the *Standards for Assurance Engagements* set out in the CICA Handbook - Assurance. To evaluate the Ministry's processes, we used criteria based on related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry agreed with the criteria set out in Exhibit 2 below.

For the year ending March 31, 2009, the Ministry of Highways and Infrastructure had adequate processes to maintain highways except it needs to set long-term service-level objectives for highways, use these objectives to prioritize its maintenance activities, and provide senior management with a report on the results of maintenance activities each year.

Key findings and recommendations

Exhibit 2 provides a brief summary of key findings by criterion. Following the exhibit, we set out, in more detail, the criteria (expectations) in italics and key findings along with related recommendations, if any.

Exhibit 2


Objective
The objective of this audit was to assess the adequacy of the Ministry's processes for the year ending March 31, 2009 to maintain provincial highways excluding thin membrane surface, gravel, ice roads, and highways that are part of the National Highway System
Criteria
processes to obtain reliable information on the highways system
processes to develop a maintenance plan
processes to carry out maintenance effectively
processes to monitor performance
Findings
met
met except the need to set long-term service-level objectives and use them
met except the need to use long-term service-level objectives to set priorities
met except the need to report results as expected

Obtain reliable information on the highways system

We expected that the Ministry's processes would include keeping a complete list of highways to maintain. It would determine key information it needs to manage maintenance such as highway condition and previous maintenance activities. It would collect this information on a consistent and reliable basis. It would determine the risks of damage to pavement to a point a highway can no longer operate at the intended service level (highway failure).

To track highways for which it is responsible to maintain and the nature of those highways, the Ministry uses two computer systems. One system records all highways (by distinct highway segments) for which the Ministry has some responsibility.[8] The other system contains detailed data for each highway segment. Data includes past maintenance treatments, weight specifications, and highway surface-condition data. Through processes documented in manuals, the Ministry provides staff with clear direction on when and how to keep this information current and accurate.

The Ministry designs certain highways (like Highway Number 6 – Regina to Melfort) to handle more traffic and weight than others. Also, some highways are identified as more essential to our economy. The Ministry classifies or groups the highway segments into broad categories. These categories reflect the highways structure or pavement type, expected level of usage (e.g., traffic volume, nature of traffic), and priority (e.g., national gateway corridors). These categories reflect, on a broad basis, the potential level of service a highway segment can provide.

The Ministry uses data on surface condition as its primary basis for predicting highway condition and risk of damage to pavement and highway failure. At March 2009, the Ministry does not collect data on the current structural integrity of the highways (e.g., take core samples of the roadbed[9]). It monitors the industry to identify cost-effective methods to collect this data.

Consistent with national industry standards, the Ministry collects information on three surface-condition factors and has adopted a related methodology to predict the risk of damage to pavement and highway failure. It has documented these decisions in its practice and procedures manual. The three surface-condition factors are the extent of rutting in a highway, roughness of ride (IRI), and extent of cracking in a highway's surface. An industry-accepted computer program incorporates the related methodology. In this chapter, we refer to this program as the computer modelling system.

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[8] In some cases, the Ministry has agreed to maintain highways it does not own (e.g., those within the provincial park system).
[9] Roadbed is the foundation of earth or rock supporting a road or highway.

The Ministry has well-defined and documented processes that set out information needed to develop its maintenance plan, decide which maintenance activities to undertake, and track the completion of these activities. Its processes set out what information it needs to collect, who is to collect this information, and when. Senior management formally review and approve key changes to processes before they are put into effect.

Area and regional staff, located throughout the province, are assigned responsibility to collect most of the required information. The Ministry keeps current manuals that set out its data collection activities including clear definitions, naming conventions, and methods for collecting and reporting information it requires. Guidance in manuals provide staff with formalized criteria so that they collect, track, and record required information on a consistent and comparable basis. Required information includes data on surface condition, construction history, and nature and cost of maintenance activities planned or undertaken on each highway segment.

To collect the required data on the surface condition of highways, the Ministry uses a data collection vehicle (DCV) which is equipped with computer software, cameras, and sensors. The DCV collects data on rutting, IRI, and cracking every fall as part of its annual asset management program. Each year, the Ministry verifies that data is collected consistently and accurately. It keeps at least five years of this data.

Develop a maintenance plan

Highways are built to last a long time. A properly maintained highway system enhances public safety and ensures that the transportation *system fully supports a fully functioning economy.*[10] *Rigorous maintenance plans would reflect expected level of service over the life of the highway. A maintenance plan would help the Ministry take targeted and timely action to select the right preservation treatment at the right time. Targeted and timely actions minimize the risk of pavement surface breaks and premature highways failures and, in turn, help ensure the highway provides the desired or acceptable level of service.*

To develop a maintenance plan, we expected the Ministry's processes would include establishing specific maintenance objectives, strategies, and performance measures. The Ministry would set service-level objectives that would maintain highways to a level acceptable over the long term. The Ministry would estimate cost of strategies, set maintenance priorities, and rank priorities against available resources over the short, medium, and long term.

The Ministry has well-established and documented processes to develop its maintenance strategies and supporting project lists and work plans.[11] Its processes are flexible, enabling planning in various ways. It can determine the funding and resources necessary to maintain highways at defined surface-condition factors on an overall basis or by highway segment or type. Conversely, it can determine the optimal maintenance strategies to maintain highways at defined surface-condition factors within a defined budget. It can develop annual or multi-year maintenance strategies.

However, the Ministry has not formally set out the level of service from the highway system that is acceptable over the medium and long term (we call these service-level objectives). So that the Ministry selects the right maintenance activities at the right time, it needs to set long-term service-level objectives at levels (e.g., by highway category). These levels would need to reflect how it manages the highway system. Also, service-level objectives would help the Ministry determine maintenance resources necessary so that the transportation system supports our economy appropriately.

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[10] *Ministry of Highways and Infrastructure. Plan for 2009-10*, p.7.

[11] Work plans set out, by each portion of highway, the types and cost of various maintenance activities (preventative treatments) to achieve the defined surface-condition. Staff are to do these activities in the next maintenance season. The maintenance season typically runs from spring to fall.

If the Ministry does not do the right maintenance activity at the right time, highways may become too damaged increasing the future costs of repair. Damaged highways can adversely impact the provincial economy and travel safety. Furthermore, because the Ministry has not set long-term service-level objectives, it is unclear if the Ministry maintains the entire highway system to an acceptable level. It may inadvertently maintain some portions of the highway system at a higher level than necessary and not sufficiently maintain other portions.

1. **We recommend that the Ministry of Highways and Infrastructure set long-term service-level objectives (such as long-term surface-condition factors).**

In its "Plan for 2009-10," the Ministry notes, as a key action, the need to define service objectives for highways.[12]

Starting in 2008-09, the Ministry develops three-year plans for its heavy treatment activities. As previously noted, it hires private sector contractors to do this work. As heavy treatment activities require time to meet environmental requirements and cost more than medium or light treatment activities, a longer planning horizon facilitates efficiencies.

However, the Ministry plans its routine, light, and medium maintenance activities only for the upcoming year. Each year, the Ministry develops strategic scenarios by assigning varied combinations of surface-condition factors (rut, IRI, and cracking) to different categories of highways. To develop the provincial surface preservation program, its computer modelling system uses actual surface-condition data and estimated maintenance costs by treatment category. The Ministry then identifies highways on which to complete maintenance and the types and cost of various maintenance activities (preventative treatments) to achieve the defined surface-condition factors.

Each year, the Ministry develops scenarios based on various anticipated annual funding levels. In all cases, the scenarios fully allocate the anticipated budget. When its budget is finalized and approved, the Ministry enters the approved budget and selects a scenario. The selected scenario sets out maintenance activities that it will then carry out within the approved annual budget (annual work plan, project list). Management confirms that the annual work plan and project lists are reasonable.

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[12] *Ministry of Highways and Infrastructure. Plan for 2009-10*, p.4.

The combination of surface-condition factors included in the selected scenario become the Ministry's annual service-level objectives for the related category of highways. Although senior management approves the annual maintenance budget, it does not formally review and approve the surface-condition factors in the selected scenario.

The surface-condition factors are important. They are used to allocate the Ministry's annual maintenance budget and to select maintenance activities for the upcoming year. Because of this, senior management needs to ensure these factors result in maintaining highways to a level acceptable over the long term (long-term service level objectives) on a cost-effective basis.

Managing without long-term service-level objectives to guide the prioritization of maintenance activities increases the risk that the Ministry may not select the right preservation treatment at the right time. Improper priorities may cause the cost of maintaining the highway system to be higher over the life of the highways. Improper priorities also increase the risk that highways are not maintained to an acceptable level. Poor highways conditions can adversely affect our economy and safety of travel. Furthermore, long-term service-level objectives would provide staff with a basis to make decisions on maintenance activities consistent with the Ministry's priorities.

2. **We recommend that the Ministry of Highways and Infrastructure use service-level objectives to determine its annual and longer-term maintenance priorities.**

Estimated maintenance costs by treatment category are a key input into the computer system the Ministry's uses to develop its preservation program (annual work plans). Using past costs, the Ministry estimates its maintenance costs for the short term and adjusts them for its estimate of inflation. While it has sound processes to assess the reasonableness of its estimate for inflation, it does not have similar processes to assess the reasonableness of the methodology used to estimate maintenance costs. At March 2009, senior management did not review the reasonableness of those estimated maintenance costs or processes used to estimate these costs. Unreasonable or inaccurate estimated maintenance costs may cause it to select the wrong preservation treatment for a particular highway segment.

3. **We recommend that senior management of the Ministry of Highways and Infrastructure assess the reasonableness of maintenance costs used to develop its maintenance plan.**

Carry out maintenance effectively

To carry out maintenance effectively, we expected the Ministry would use recognized standards for its various maintenance activities. The Ministry would establish maintenance procedures consistent with those standards. It would track completion of maintenance activities and changes to its planned activities.

The Ministry maintains two manuals that provide staff with detailed guidance on carrying out various maintenance activities. For example, for each type of highway failure, its Maintenance Practice and Procedures Manual defines the failure, its cause, and recommended repair. For each type of repair (such as deep patching), its sets out its purpose, normal practice used to make the repair, resources (equipment, labour, material), output measures (e.g., tonnes of asphalt), and where to find guidance to accommodate traffic when making the repairs.

The Ministry uses its staff's experience and research along with staff participation on national forums to develop and revise its maintenance standards. Several of these national forums develop and review national standards. The Ministry incorporates its standards into its manuals. Senior staff formally review and approve changes to manuals.

Managers located within the Ministry's three regions are primarily responsible to monitor completion of work plans and project lists. These managers (i.e., preservation engineers) finalize the work plan or project lists before the maintenance season and allocate projects within their region. A regional preservation engineer typically manages 30–50 projects. A project manager typically manages two to three projects. Staff typically have sufficient time to supervise and monitor the completion of a project. The practices used to monitor and report the completion of work plans/project lists differ in each region.

Staff located within areas monitor completion of work plans at a detailed level. Area staff carry out day-to-day supervision to assess status of projects and compliance with acceptable maintenance practices. They meet, often weekly, to assess progress, and identify and resolve issues. Regional preservation engineers monitor the completion of work plans and project lists on an overall basis. They meet with area project managers, about monthly, to discuss actual costs compared to budget and outstanding work, and adjust work plans / project lists to operate within budget.

Using the approved annual maintenance plan and their experience, the project managers and maintenance crew leaders prioritize and schedule treatments by category of highways (e.g., based weight capability, volume of traffic, strategic factors linked to Province's economy) and by type of treatment (e.g., deep patching or crack filling). The project managers and crews then carry out planned maintenance projects based on these priorities.

At times (e.g., due to bad weather or insufficient resources), staff need to change which maintenance treatments to do and when. Because the Ministry has not defined the level to maintain the highways' surface condition over the medium and long term, staff does not have guidance or criteria to help them decide. Without criteria, staff, across the three regions, may reach inconsistent decisions. Inconsistent decisions may result in unnecessary and unintended differences in maintenance costs and in highways conditions (See earlier recommendation about use of service-level objectives in determining priorities).

Monitor performance

To monitor performance, we expected the Ministry would regularly review and report on its progress in carrying out its maintenance plan and the impact of its maintenance activities. Reports would provide senior management with sufficient information on the results of its maintenance activities compared to plan. Senior management would use analysis to adjust its plans.

The Ministry's manuals set out what information is to be reported to whom and when. In addition, they set out who is responsible for the preparation of these reports and key analyses. This guidance helps staff located throughout the province to report on a consistent and regular basis.

The Ministry expects staff to:

- deliver their approved work plan or finalized project list within budget
- meet the commitments (such as the completion of certain projects) set out in public documents[13]
- provide senior management with a summarized report on the results of maintenance activities at the end of the maintenance season

As previously noted, the Ministry uses well-defined processes to track and prepare reports of costs (planned, actual, and forecasted), status of projects, and highway surface condition. The Ministry actively manages its maintenance activities to keep them within its approved budget. It summarizes financial information at various levels and produces reports at various times to coincide with the staff's responsibility. For example, area staff receive weekly detailed financial reports, middle management receive monthly financial reports, and senior management receive quarterly financial reports.

To review the status of work plans and projects, management review information captured within the related computer systems. They also meet monthly to discuss the status of maintenance work and adjust plans as needed.

Each quarter, senior management reviews reports on significant risks, use of labour, and the status of significant planned actions (as set out in its performance plan and commitments made in other public documents).

As previously noted, the Ministry assesses the surface condition of the highways each fall. This assessment reflects the impact of the Ministry's maintenance activities on all highways. Middle management receives reports on surface condition. In late spring when drafting its public annual report, senior management receives performance information about the condition of the National Highways System; it accounts for about 10% of the kilometres of its highway system.[14] However, senior management does not receive similar performance information on the remaining highway system.

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[13] Typically, most commitments in public documents are construction projects. Maintenance-related projects (if any) are incorporated into annual work plans or project lists.

Guidance in the Ministry's manuals recognizes that managers need information on the results of maintenance activities to make informed decisions about the long-term health of the highways system. This guidance requires staff to give senior management summarized reports on the results of maintenance activities (e.g., status of planned work, impact of uncompleted work on the condition of highways, comparison of actual surface condition to expected) each year. Although required, staff do not give management such reports.

4. **We recommend senior management of the Ministry of Highways and Infrastructure receive a report on the results of the maintenance activities at the end of the maintenance season, as required.**

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[14] Senior management receives information on the performance measures related to the National Highways System (i.e., percent of the National Highway System in good condition, percent of kilometres resurfaced on the National Highways System to meet the targeted life cycle cost).

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Justice and Attorney General

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Main points

This chapter reports the results of our audit of security awareness processes at the Ministry of Justice and Attorney General (Justice).

We concluded that Justice had adequate security awareness processes, except that Justice needs to:

- ,assess its security awareness needs
- update its formal plan for its security awareness program and carry out the plan
- monitor the effectiveness of its security awareness program

Introduction

The Ministry of Justice and Attorney General (Justice) is responsible for providing legal services and justice policy advice to government in order to protect the legal rights of citizens and to promote social and economic order for Saskatchewan. Justice is also responsible for supporting courts, prosecutions, victims, civil law services, and for regulating the marketplace. Justice also provides services to resolve social and family conflict.[1]

Our 2009 Report – Volume 3 reports the results of our audit of Justice for the year ended March 31, 2009. This chapter reports the results of our audit of Justice's security awareness processes.

Justice uses information systems that are critical to the operations of the Ministry. A majority of these systems contain sensitive or confidential information. This includes information relating to traffic fines, court dates, and legal/criminal case information. Some of the information systems at Justice process credit card transactions. Justice also uses information systems to record its corporate financial information.

Justice must keep its information systems secure. If security is not adequate, there is a risk that information could be altered by unauthorized persons, that confidential information may be inappropriately disclosed, or that information may not be available when needed. If the information is not secure, there is a risk of harm to people. Justice has over 900 employees in various locations throughout the province. Justice needs to ensure that all of its employees keep its information secure. We audited whether Justice has adequate processes for security awareness.

Security awareness

Security awareness means being well informed about security issues, understanding security responsibilities, and acting accordingly.[2] The key to security awareness is being security conscious and as a result, changing behaviour to appropriately protect information.[3]

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[1] Ministry of Justice and Attorney General, 2008-09 Annual Report, p.7.
[2] Wulgaert, p.9.
[3] Ibid.

Security awareness is an important part of information security. Agencies must keep their information secure, including their information technology (IT) systems and data. This means ensuring the confidentiality, integrity, and availability of information. To do this, agencies must set out and follow adequate security policies and procedures. If users are not aware of the policies and procedures that they need to follow, it is more difficult for an agency to protect its information.[4] Even sophisticated security measures can be rendered less effective if there is inadequate security awareness.

A security awareness program can be a cost-effective method of improving an agency's information security. Improved security awareness can reduce future costs such as recovery of lost data and notification and litigation costs when information has been inappropriately disclosed.

Security awareness activities need to be a continuous process.[5] Without on-going activities, users may forget or be less able to take adequate measures to protect an agency's information. Repeated reminders of security awareness issues can improve a user's capacity to remember security principles. Agencies that have continuous security awareness activities are more likely to have employees that are "security conscious" as they carry out their responsibilities. This decreases the risk that information will be lost, stolen, or inappropriately disclosed.

We describe "Good processes for security awareness" more fully at the end of the Agriculture chapter, Chapter 3.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Ministry of Justice had adequate processes for security awareness for the twelve-month period ended February 28, 2010.

To conduct this audit, we followed *The Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants. To evaluate Justice's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Justice's management agreed with the criteria (see Exhibit 1).

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[4] Herold, p.xxix.

[5] Wulgaert, p.4.

Exhibit 1 – Audit criteria

To have adequate processes for security awareness, an agency should:

1. demonstrate management commitment to security awareness
2. implement adequate security policies that incorporate a security awareness program
3. inform users of their responsibilities through a formal security awareness program
4. periodically review the effectiveness of its security awareness program

We concluded that, for the twelve-month period ended February 28, 2010, the Ministry of Justice and Attorney General's processes for security awareness were adequate except the Ministry of Justice and Attorney General needs to:

- **assess its security awareness needs**
- **update its formal plan for its security awareness program and carry out the plan**
- **monitor the effectiveness of its security awareness program**

Key findings and recommendations

In this section, we describe our expectations (in italics) and key findings for each criterion.

Demonstrate management commitment to security awareness

To demonstrate management commitment to security awareness, we expect that agency management will:

- *communicate responsibility for security awareness to all employees*
- *set an example by participating in security awareness activities*
- *approve human resources and a budget sufficient to carry out security awareness activities*

Justice has set out responsibility for security in a security principles document. The document notes that all employees are responsible for the protection of Justice's information.

Justice has created a position that is responsible for security awareness at Justice. This position provides advice to Justice employees on security issues.

Justice held security awareness sessions for its employees, including senior management. However, it held those sessions more than three years prior to the time of our audit. Justice told us it plans to hold security awareness sessions for all of its employees in 2010-2011. Justice told us that it has a small amount of money available for security awareness related activities each year. We did not find evidence that executive management discussed security awareness issues on a regular basis.

Security policies incorporate security awareness program

We expect that agency security policies will include the requirement for a security awareness program. The policy should require that the security awareness program:

- *include all employees and relevant contractors*
- *be an on-going program to ensure that security issues are regularly discussed*
- *be reviewed for effectiveness on a regular basis*

Justice has a computer security principles document that requires that internal and external users of information at Justice be made aware of relevant security policies and their responsibilities.

Justice also has a terms of reference document for its security awareness training program. This document requires that Justice assess its security awareness needs. Although the terms of reference document dates from 2004, Justice has not completed an assessment.

1. **We recommend that the Ministry of Justice and Attorney General assess its security awareness needs and ensure its security awareness program addresses those needs.**

Inform users of their information security responsibilities through the formal security awareness program

We expect that agencies will implement a formal security awareness program. This would include:

- *a documented plan that specifies clear objectives, target dates, and the strategy to build security awareness*
- *ensuring the plan is based on an assessment of the agency's security awareness needs*
- *ensuring the program covers all employees, all key topic areas and uses a variety of methods to deliver the security awareness message*
- *tailoring the program to meet the needs of the employees that are receiving the security awareness information*
- *having key branches and departments of the agency provide input into the program*

Justice documented its terms of reference for its awareness program in 2004. It has not subsequently updated this document. The terms of reference document has some elements of a security awareness plan such as goals, target dates, topic areas that will be covered, and delivery methods. However, the plan does not specify measurable objectives.

Based on the document, Justice provided security awareness sessions to a majority of its employees several years prior to our audit period. Justice developed a document titled "Information Management Handbook." This document provides information on security and privacy rules and guidelines. Justice made the document available to employees of all ministries. It is also published on its Internet site, which is available to everyone. Justice also created an on-line course for employees of all ministries. While the focus of the course is access and privacy, some elements relate to information security.

2. **We recommend that Ministry of Justice and Attorney General update its formal plan for its security awareness program and carry out the plan.**

Management told us that its plan for security awareness includes upcoming government-wide activities by its Access and Privacy Branch and the Information Technology Office.

Periodically review the effectiveness of the security awareness program

We expect agencies to monitor the effectiveness of their security awareness program, including:

- *setting out how it will measure the effectiveness of its security awareness program*
- *performing periodic research to identify trends in security awareness issues*
- *adjusting its security awareness program based on its assessment of effectiveness and its research*

Justice has not set out plans to monitor the effectiveness of its security awareness program. Justice told us that it informally discussed security awareness sessions with its employees and made changes.

3. **We recommend that the Ministry of Justice and Attorney General monitor the effectiveness of its security awareness program.**

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Public Service Commission

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Main points

The Public Service Commission (PSC) is the central human resource agency for staff employed primarily by Government ministries. PSC provides employee, payroll, and benefit administration for all ministry employees. PSC is also responsible for the human resources and payroll system. This system contains personnel and payroll information.

PSC and ministries must clearly assign responsibilities for key pay activities so that each party carries out their respective roles. Service level agreements with ministries need to clearly set out payroll responsibilities. Also, PSC needs to sufficiently document its completion of key payroll activities to evidence that responsibilities were carried out.

PSC also plays a part in identifying, collecting, and recording payroll overpayments, given overpayments are often deducted from an employee's future pay. PSC needs processes for recording and collecting payroll overpayments to help ensure overpayments are recovered promptly.

Introduction

Since March 2006, the Public Service Commission (PSC) is responsible for the Multi-informational Database Applications System–human resources and payroll (MIDAS HR/Payroll). MIDAS HR/Payroll helps PSC and the ministries manage employee information (e.g., benefits, salary, job assignment, and training) and process payroll transactions.

Since February 9, 2010, a centralized unit of PSC called the Employee Service Centre (ESC) is responsible for providing employee, payroll, and benefit administration for all ministry employees.

Given PSC's overall responsibility for MIDAS HR/Payroll and the ESC, it must have adequate central controls to secure MIDAS HR/Payroll and its information. Central controls are those controls that PSC must establish and carry out to protect the confidentiality, integrity, and availability of MIDAS HR/Payroll transactions.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll for the twelve-month period ending December 31, 2009. This audit did not assess the adequacy of controls at the user agencies (i.e., ministries). Rather, it focused on the central controls at PSC.

To make these assessments, we used criteria based upon the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. PSC has agreed with the criteria.

Our criteria, set out in Exhibit 1 below, describe the key processes that we expected PSC to have.

Exhibit 1 —Audit criteria

Adequate central controls used to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll should include control processes that:

1. Show management commitment to security (governance)
- 1.1. Responsibilities for security are clearly defined
- 1.2. Management identifies threats and risks
- 1.3. Management has approved security policies and procedures
- 1.4. Management monitors security

2. Protect systems and data from unauthorized access
- 2.1. User access controls protect the system and data from unauthorized access
- 2.2. Physical security controls protect the system and data from unauthorized access

3. Make systems and data available for operation
- 3.1. System and data backups occur and are tested
- 3.2. Disaster recovery plans are in place and tested

4. Maintain the integrity of systems and data
- 4.1. Management has policies and procedures for managing the system and data
- 4.2. Change management processes exist and are followed
- 4.3. Management monitors the system to ensure it is operating as planned

User agencies rely on PSC, as a service provider, to have adequate central controls, carry them out properly, and have responsibilities related to data processed within the system accurately.

Throughout our audit, we followed *The Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants.

Key findings and recommendations

We concluded that, for the twelve-month period ended December 31, 2009, PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll except for:

- **assigning responsibilities for key payroll activities in its service level agreements with ministries**

- **its processes to record and collect overpayments of employee pay**

- **following its processes to document the review of key payroll reports**

The following sections set out our significant findings.

Clarifying PSC's responsibilities for key payroll activities

Service level agreements (SLAs) between PSC and user agencies (ministries) do not clearly assign responsibilities for key payroll activities.

We expected the SLAs between PSC and the ministries to clearly set out the responsibilities of each party for key payroll activities. During the audit, we noted that PSC had assumed responsibility for the following payroll activities without a formal delegation from ministries:

- identifying, collecting, and recording payroll overpayments even though the payments are made out of Ministry appropriations
- approving routine payroll payments for every ministry in accordance with *The Financial Administration Act, 1993* (Act)[1]
- monitoring user access to the MIDAS HR/Payroll system for certain ministries

Under its policy, PSC must investigate and document the reasons for payroll differences over a certain threshold. However, SLAs do not set out these thresholds. As a result, PSC may be investigating payroll differences that do not meet each ministry's needs.

Furthermore, we noted that PSC does not review and approve non-routine payroll payments. SLAs are unclear as to who is responsible for approval of the non-routine payroll payments. Management told us that it has implemented a process to have an independent review and approval of non-routine payroll payments.

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[1] Under *The Financial Administration Act, 1993* (Act), s.28 "every payment out of the general revenue fund is to be made …in the manner that the Provincial Comptroller may direct or approve." This includes payroll payments. The Act, s.30 also expects that an authorized individual, before making payment, certify that the services have been provided and the amount to be paid and its payment is in accordance with the contract (e.g., terms of employment).

1. **We recommend the Public Service Commission amend its service level agreements with ministries to clearly assign responsibilities for key payroll activities (i.e., managing payroll overpayments, approving payroll payments, and investigating payroll differences).**

Recording and collecting payroll overpayments

PSC does not have adequate processes to ensure payroll overpayments to terminated employees or employees on leave are properly recorded and promptly recovered.

Payroll overpayments are payments made to Government employees in excess of the amount the employee earned. Overpayments are amounts owing back to the Government (receivables). Agencies need adequate processes to reduce the risk of payroll overpayments and to identify where they are more likely to occur. Where a greater risk of overpayment exists, agencies need processes to identify overpayments promptly. For identified overpayments, agencies need processes to track them in their accounting records. Agencies must collect amounts due on a timely basis and assess their continued collectability.

PSC recognizes that payroll overpayments often occur when employees terminate or go on a leave of absence and the related ministry does not inform PSC promptly. For example, a ministry employee resigns in the middle of a pay period and the ministry does not inform PSC of the resignation before PSC pays the employee. To minimize payroll overpayments in these situations, PSC asks ministries to use an employee termination checklist that includes reminders for them to notify PSC before the employee's last pay period. PSC has also implemented a policy whereby ministries must send final timecards of terminated employees to PSC. PSC then processes the employee's final pay. PSC also uses various ways (such as investigation of payroll differences) to identify potential overpayments.

However, PSC does not maintain complete and up-to-date records of payroll overpayments (i.e., monies owing to the employee's ministry). Nor does PSC consistently and promptly notify ministries of overpayments so they can properly record the amount due in their accounting records. Failure to record outstanding overpayments affects the accuracy of ministries' salaries expenses and amounts due.

Furthermore, PSC has not yet developed a collection policy for payroll overpayments. This policy would set out processes to collect payroll overpayments and the responsibilities of PSC and ministries in these situations. Management told us it is currently in the process of drafting such a policy.

PSC does not consistently take steps to collect payroll overpayments promptly. Failing to notify employees and/or ministries of overpayments on a timely basis increases the risk that the overpayments will not be recovered.

2. **We recommend that the Public Service Commission implement processes over the recording and collection of payroll overpayments.**

Maintaining sufficient documentation

PSC has not documented the completion of key payroll activities consistently and sufficiently.

Proper documentation provides evidence of completion of assigned duties.

PSC requires its staff to review payroll reports of all ministries. Staff did not consistently document its review (including the date of its review) of these reports. As a result, we could not determine if PSC reviewed the reports in all cases or if reviews took place prior to paying employees. To reduce the risk of incorrect pay and to comply with the Act, PSC should review payroll reports prior to paying employees.

Contrary to its policy, PSC did not always document the reasons for payroll differences in excess of the thresholds set out in the policy. Without adequate follow up, there is a risk that employees may be overpaid.

In 2009, PSC gave certain staff the HR Payroll Administrator (HRPA) role within the MIDAS HR/Payroll system. HRPAs have the authority to enter a new employee and pay the employee. Because PSC recognizes the HRPA role creates the risk of making payments to fictitious employees, it requires review of two reports to monitor and detect inappropriate use of this role. However, often PSC did not leave evidence of review of these reports. As a result, we could not determine if these reports are functioning as an adequate control. Our review of the reports did not identify any instances of inappropriate use of the HRPA role.

3. **We recommend Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review.**

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Saskatchewan Research Council

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Main points

The protection of intellectual property is important for the Saskatchewan Research Council (SRC) because its business involves research and development for itself and others. In our 2008 Report – Volume 1, Chapter 11, we made five recommendations to improve how SRC managed intellectual property. In March 2010, we evaluated SRC's actions on our recommendations. This chapter reports that SRC has met our recommendations.

Introduction

Since 1947, the mandate of the Saskatchewan Research Council (SRC) is to assist Saskatchewan industries to be globally competitive through the responsible application of science and technology.[1] SRC achieves its purpose by researching new or better products or increasing productivity. It helps industries to apply innovative solutions and services, often using demonstrations and pilot projects.

In 2009, SRC had revenue of $44.9 million and expenses of $43.4 million. At March 31, 2009, SRC held assets of $36.0 million. The *Saskatchewan Research Council 2008-2009 Annual Report* is available at www.src.sk.ca.

SRC also manages the Saskatchewan Research Council Employees' Pension Plan (Plan). At December 31, 2009, the Plan held assets of $19.5 million and had a surplus of $0.2 million.

Audit conclusions and findings

In our opinion, for the year ended December 31, 2009:

- **SRC had adequate rules and procedures for the Plan to safeguard public resources**
- **SRC complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **the Plan's financial statements are reliable**

The remainder of this chapter contains the results of our follow-up work on SRC's processes for managing intellectual property.

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[1] Saskatchewan Research Council 2008/2009 Annual Report, first page.

Managing intellectual property—a follow-up

Intellectual property refers to the creations of the mind, such as inventions, symbols, names, pictures, and designs. Patents, trademarks, copyrights, and industrial designs are examples of specific rights regarding intellectual property.

The protection of intellectual property is very important to SRC because its business involves research and development for itself and others. To fulfill its mission, SRC must effectively manage intellectual property. It must identify and protect the intellectual property that it develops, and it must respect the intellectual property of its partners and clients.

In 2007, we assessed SRC's processes to manage intellectual property. Our 2008 Report – Volume 1, Chapter 11 concluded that SRC had adequate processes to manage intellectual property except that it should:

- follow its policies for management of intellectual property
- make an agreement with its wholly-owned company (subsidiary) for ownership and management of intellectual property
- complete its central recording of all significant intellectual property
- implement performance measures to help it manage intellectual property

We made five recommendations. On December 8, 2008, the Standing Committee on Public Accounts agreed with our recommendations.

The following sections set out the recommendations (in italics) and SRC's actions up to March 31, 2010. We commend SRC for its timely response to our recommendations.

Central recording of significant intellectual property completed

We recommended that SRC complete its central recording of all significant intellectual property.

SRC has met our recommendation.

SRC has implemented processes to help ensure that it records all significant intellectual property. SRC has revised its policies and procedures related to identifying promising intellectual property. It has also taken steps to include relevant historical information in its systems.

Agreement with subsidiary

We recommended that SRC make an agreement with its wholly-owned company (subsidiary) for ownership and management of intellectual property.

SRC has met our recommendation.

SRC has announced that it plans to discontinue the operations of its wholly-owned subsidiary. In the meantime, SRC has signed an intellectual property agreement with the subsidiary.

Verifying compliance with software licenses

We recommended that SRC follow its policy to regularly verify that it complies with software licenses.

SRC has met our recommendation.

SRC carries out regular examinations to verify compliance with software licenses. It is also examining the use of additional tools to provide further assurance that sufficient licenses are in place. SRC also educates employees to promote awareness of its intellectual property and licensing policies and procedures.

Obtaining approvals before releasing information

We recommended that SRC follow its policy to ensure employees obtain written approval before publicly releasing information that relates to intellectual property.

SRC has met our recommendation.

SRC is following revised policies and procedures to help ensure employees obtain approval before disclosing particular types of intellectual property. This will assist SRC in protecting its intellectual property. SRC uses its computer systems to manage information about disclosures. It also educates employees about their responsibilities.

Performance measures help manage intellectual property

We recommended that SRC implement performance measures to help it manage intellectual property.

SRC has met our recommendation.

SRC is incorporating intellectual property into its risk-management processes. As part of this process, SRC has developed measures that should help it evaluate its management of intellectual property.

Social Services

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Main points

The Ministry of Social Services works with the Saskatchewan Housing Corporation (SHC) to provide affordable and adequate housing. SHC manages a significant housing portfolio for the Government. To sustain its portfolio over the long term, SHC must have a good capital asset plan.

In 2004, we reported that SHC needed to improve its capital asset plan. Since that time, SHC has improved its capital asset plan, but more work remains. SHC needs to continue its work on setting measures, baselines, and targets related to the condition of its housing portfolio.

Introduction

The mandate of the Ministry of Social Services (Ministry) is to support citizens at-risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations. The Ministry assists these efforts through income support, child and family services, support for persons with disabilities, efforts to develop affordable housing, and by building greater capacity in community-based organizations.[1]

In 2008-09, the Ministry received $677 million from the General Revenue Fund to deliver its programs and had revenues of $25 million. Information about the Ministry's revenues and expenses appears in its annual report (see www.socialservices.gov.sk.ca).

Special purpose funds and Crown agency

The Ministry is responsible for the following special purpose funds and Crown agency:

	Year-End
Social Services Central Trust Account	March 31
Valley View Trust Accounts and Fund	March 31
Saskatchewan Housing Corporation	December 31

We reported the results of our audits of the Ministry, the Social Services Central Trust Account, and the Valley View Trust Accounts and Fund in our 2009 Report – Volume 3. This chapter includes the results of our audit of the Saskatchewan Housing Corporation (SHC) and follow-up of previous recommendations related to SHC.

Saskatchewan Housing Corporation

The Saskatchewan Housing Corporation (SHC) works with the Ministry of Social Services to provide affordable and adequate housing.

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[1] Ministry of Social Services Annual Report, 2008-09.

Audit conclusions

Our Office worked with KPMG LLP, appointed auditor for SHC using the framework recommended by the *Report of the Task Force on the Roles Responsibilities and Duties of Auditors.*[2]

In our opinion, for the year ended December 31, 2009:

- **SHC had adequate rules and procedures to safeguard public resources**
- **SHC complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **SHC's financial statements are reliable**

The next section describes the results of our follow-up of SHC's actions on a recommendation that we made in 2004.

Capital asset plan—a follow-up

Background

SHC's housing portfolio consists of approximately 31,000 rental and homeowner housing units in more than 300 communities across Saskatchewan. Out of those, SHC owns approximately 19,000 of the units with an estimated replacement value of $3.1 billion. Most of these owned units were constructed over 30 years ago.

The majority of the housing portfolio is locally managed, with SHC directly managing only about three per cent of the portfolio. SHC's housing authorities manage nearly 60 per cent of the housing portfolio, with the remaining 37 per cent of the portfolio owned and managed by non-profit and co-operative groups and the private sector.[3]

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[2] Available at www.auditor.sk.ca/rrd.html.

[3] *Saskatchewan Housing Corporation – An agency of Social Services, 2008 Annual Report*. pp 7, 15.

Summary findings

In 2004, we assessed the adequacy of SHC's capital asset plan. Our 2004 Report – Volume 1, Chapter 15 (pp. 207-217) concluded that SHC's capital asset plan was adequate for decision making except that it did not include how SHC expects to determine and measure how well it sustains the housing portfolio over the long term. We made one recommendation.

We recommended that SHC's capital asset plan show:

- the specific measures SHC would use to determine appropriate size, mix, and condition of the housing portfolio (i.e., performance measures)
- the starting point of each measure (i.e., baseline)
- what SHC expects to achieve with the housing portfolio and by when (i.e., targets)

In September 2004, the Standing Committee on Public Accounts agreed with this recommendation. In our 2007 Report – Volume 3 (Chapter 5), we reported that SHC, at October 2007, had partially implemented the recommendation.

SHC had set measures, baselines, and targets related to the size and mix of the housing portfolio but had not done so for the condition of the portfolio.

As noted below, SHC continues to make progress on improving its capital asset plan but more work remains, therefore, our recommendation continues.

The following section sets out SHC's key actions from October 2007 to December 31, 2009 related to implementing the outstanding recommendation.

Long-term capital plan being updated

SHC is updating its long-term capital plan so that it undertakes reinvestments in housing assets on a prioritized and planned basis.

Currently, SHC's housing units that are deemed to be part of SHC's active rental portfolio must meet minimum health and safety standards set by governing authorities (e.g., municipalities). SHC has drafted building maintenance standards for its housing portfolio. These standards include the minimum health and safety standards. At December 2009, SHC was ranking these standards to identify the most critical ones. Once the standards are finalized and approved by senior management, SHC expects to use them to measure the condition of its housing portfolio and to set specific related targets.

SHC recognized that it needs additional information on the condition of housing units to make and support decisions about its capital asset plan. At December 2009, SHC is in the process of collecting information on the condition of each housing unit through use of recently developed standard data collection sheets. Also, SHC is currently determining how best to electronically capture and report on the data collected.

SHC expects that its long-term capital plan, once updated, will help ensure that SHC's housing portfolio provides safe, secure, and affordable housing.

Sunrise Regional Health Authority

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Main points

Sunrise Regional Health Authority (RHA) must have rigorous scheduling processes to ensure a sufficient number of nursing staff are on duty to provide proper patient care. Inadequate scheduling processes increase the risk of nurses working excessive hours resulting in higher overtime costs and absenteeism.

We concluded the RHA had adequate processes as of March 15, 2010 for scheduling required nursing staff for patient care in its healthcare facilities including managing labour costs relating to overtime, except it needs to:

- follow established policies to review and approve nursing staff timesheets
- identify and regularly report to the Board the causes of nursing staff overtime costs
- implement established strategies for addressing causes of nursing staff overtime costs and provide regular progress reports to the Board

Background

The Sunrise Regional Health Authority (RHA) is one of twelve regional health authorities in the Province of Saskatchewan. Under *The Regional Health Services Act*, the RHA is responsible for the planning, organization, delivery, and evaluation of health services it provides in the region.[1]

This chapter reports the results of our audit of RHA's processes to schedule required nursing staff. Our 2009 Report – Volume 3 reports the results of our audit of the RHA for the year ended March 31, 2009.

The RHA provides health services to east central Saskatchewan. In 2009, it employed approximately 1,500[2] nursing staff.

The Ministry of Health sets out specific strategic directions and goals in the Accountability Document for the RHA. One of those goals requires that "the health sector has a highly skilled, professional and diverse workforce with a sufficient number and mix of service providers."

To provide safe, quality health services, a sufficient number of nursing staff must be on duty to provide proper patient care. *The Health Labour Relations Reorganizations Act* designates the Saskatchewan Association of Health Organizations (SAHO) as the employers' representative in the Province. Through SAHO, the RHAs make collective bargaining agreements with Saskatchewan Union of Nurses (SUN),[3] Canadian Union of Public Employees (CUPE)[4] and other unions representing nurses and other employees. These agreements set out the normal working hours (scheduled shifts) for all nursing staff.

Nursing staff receive a higher rate of pay (overtime rate) when they work outside the normal hours. Nursing staff also receive pay at premium rates[5] if the RHA requires them to work outside the normal scheduled hours. When a nurse is absent from a scheduled shift, the RHA may cover that shift with another nurse, possibly at overtime or premium rates.

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[1] *The Regional Health Services Act*, section 27(1).

[2] This represents all Registered Nurses (RNs), Nurse Practitioners (NPs), Registered Psychiatric Nurses (RPNs), Licensed Practical Nurses (LPNs), and Special Care Aides employed within the Sunrise Regional Health Authority and includes nursing staff outside the scope of this audit.

[3] Saskatchewan Union of Nurses (SUN) does collective bargaining on behalf of Registered Nurses, Registered Psychiatric Nurses, and Nurse Practitioners.

[4] Canadian Union of Public Employees (CUPE) does collective bargaining on behalf of Licensed Practical Nurses and Special Care Aides (and other employees).

Managing labour costs related to scheduling and absenteeism is a challenge as workload pressures due to higher than expected patient numbers or increased acuity of patients is not predictable. Inadequate processes to manage labour costs increase the risk of nurses working excessive hours, which could result in higher overtime costs and absenteeism. Also, inadequate processes could lead to lower than the desired level of patient care that could result in harm to patients and loss of public confidence in our healthcare system.

One of the key actions the 2009-10 Accountability Document requires is a "reduction of absenteeism through improvements to workplace safety, and improvements in time management and staff scheduling processes."

The RHA's 2009 Annual Report acknowledges that high overtime and sick leave were contributing factors to the RHA's 2008-09 deficit. The Report states that for the year ended March 31, 2009, the RHA paid to each of its full time employed members of SUN an average of 121.4 hours and 91.4 hours of overtime and sick leave respectively compared to the provincial average of 87.5 hours and 87.9 hours respectively. The RHA's Annual Report does not publish statistics on LPNs and Special Care Aides separately.

Audit objective, criteria, and conclusion

The objective of this audit was to assess if Sunrise Regional Health Authority (RHA) had adequate processes as of March 15, 2010 for scheduling required nursing staff for patient care in its healthcare facilities including managing labour costs relating to overtime.

We focused on scheduling practices and the management of labour costs relating to overtime (e.g., due to absenteeism, workload pressures, inappropriate scheduling) of nursing staff[6] in the RHA's regional hospital and long-term care homes. We define "absenteeism" as absence from the workplace including nurses on sick leave, worker's compensation, leave without prior approval, and lateness. Also, we define "overtime" as additional hours worked and paid at a higher rate of pay or time in-lieu of extra pay (banked time).

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[5] The Collective Bargaining Agreements define situations where nurses would be paid a premium rate for working outside the normal scheduled hours; e.g., when the RHA changes a shift without proper notice, calls back a nurse for an extra shift, or requires a nurse to work on a weekend.

To conduct this audit, we followed the *Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants. To evaluate the RHA's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The RHA's management agreed with the criteria (see Exhibit 1).

Exhibit 1—Processes to schedule required nursing staff

To have adequate processes for scheduling required nursing staff for patient care in its healthcare facilities including managing labour costs relating to overtime, the RHA should:

1. Set expectations that influence labour costs
2. Schedule nursing staff to deliver services
3. Analyze labour costs to identify risks
4. Minimize excessive labour costs

We concluded that, as of March 15, 2010, the RHA had adequate processes to schedule required nursing staff for patient care in its healthcare facilities including managing labour costs relating to overtime except for its processes to review and approve nursing staff timesheets, identify causes of overtime costs, and implement strategies to address overtime costs.

Key findings and recommendations

In this section, we set out our expectations (*in italics*), findings, and recommendations by criterion.

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[6] Nursing staff include Registered Nurses (RNs), Nurse Practitioners (NPs), Registered Psychiatric Nurses (RPNs), Licensed Practical Nurses (LPNs), and Special Care Aides (SCAs).

Set expectations that influence labour costs

We expected the RHA would clarify working expectations for nursing staff. We expected the RHA would communicate expectations to scheduling office staff, nursing staff, and managers. We expected the RHA would train managers to monitor labour costs.

As part of its annual budget process, the RHA provides its healthcare facilities (e.g., regional hospital, long-term care homes) with the payroll budget. Based on past data and experience, the facility then determines the nursing staff needed for various departments (e.g., emergency department). Each department then reviews their master rotation (i.e., an overall scheduling plan) that outlines expected working days for nursing staff over the next year and makes changes if needed.

The master rotation must meet minimum baseline staffing levels to provide adequate patient care and must comply with the collective bargaining agreements. The RHA reconciles the master rotation to its approved budget to ensure consistency. Representatives of SUN and CUPE also review the master rotation. Once finalized, the scheduling office enters the master rotation into the RHA's scheduling system.

The master rotation becomes the ongoing schedule for nursing staff and is available to all nursing staff to see their upcoming hours of work. For example, each department posts and confirms two weeks of the schedule 14 days in advance of nursing staff shifts.

The RHA has policies for nursing staff to request leaves of absence or trade shifts with others. Nursing managers approve these requests. Generally, such changes do not result in overtime because these requests are early enough to find replacement staff at regular pay or the requests may be denied. For example, nursing staff can trade shifts if they obtain authorization from the nursing manager and if it does not result in overtime pay. The scheduling system records all scheduling changes. Nursing staff orientation includes procedures and forms that staff must complete when seeking approved leaves of absence.

Nursing managers are responsible for monitoring labour costs within their departments. Nursing manager orientation includes training on managing scheduling and labour costs.

In summary, the RHA has adequate processes to set expectations that influence labour costs.

Schedule nursing staff to deliver services

We expected the RHA would schedule nursing staff to meet anticipated staffing needs. We expected the RHA would establish processes to handle contingencies (e.g., absenteeism, increased patient load, and/or acuity). We expected the RHA would balance nurses' work schedules equitably (e.g., fair, timely, use banked time in lieu).

As noted above, the RHA establishes the master rotation and the scheduling office staff use that information to prepare work schedules. When nurses cannot attend work (e.g., sick leave) or nursing managers request extra staff because of heavy workloads (i.e., higher than expected patient numbers or increased acuity of patients), the scheduling office finds replacement or additional nursing staff. The scheduling system generates relief lists[7] that help scheduling staff to find available nurses for work.

When finding replacements for nursing staff leave (short and long-term), the scheduling staff follow the collective bargaining agreements. For SUN members, scheduling staff attempt to replace absent staff with the most cost-effective alternative (i.e., at regular pay). For CUPE members, scheduling staff are required to offer available work to nursing staff based on seniority; first at regular time, then at overtime. When scheduling staff have to call in nursing staff at overtime rates, they inform the appropriate nursing manager to seek approval of overtime before asking replacement nurses or additional nurses to work.

The scheduling staff document what shifts they offered to whom and reasons if the offer was declined, or, if not offered to a particular staff member, the reasons why (e.g., already working). This documentation helps demonstrate that scheduling staff followed fair and acceptable practice when finding replacement or additional nursing staff. Under the collective bargaining agreements, nurses can file a grievance if scheduling staff fail to offer available shifts according to the agreements. If the grievance is proven, the grieving nurses may receive pay for the shifts they could have worked, if offered.

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[7] Relief lists are lists of nurses who are qualified to work in a particular department.

All leaves of absence require nursing manager approval. In case of emergency (e.g., sickness, bereavement, or family leave), nursing staff call the scheduling office or the nursing manager directly. If a replacement is required after the scheduling office is closed, leave of absence forms are still completed and the scheduling system updated.

Each day, the scheduling system generates and prints daily timesheets in various departments of the RHA facilities. The daily timesheets list the nurses and their hours of work for the day, nurses on leave and their replacements, and any overtime hours worked based on the master rotation and any scheduled staffing changes. Nurses are required to sign these daily timesheets confirming that they worked the shift as listed or make changes if necessary. Nursing managers or other authorized staff[8] approve the daily timesheets before submitting them to payroll staff. As we describe below, the daily timesheets did not always show evidence of approval.

When setting master rotations, the RHA follows the collective bargaining agreements. The agreements establish mutually agreed upon fair and equitable working hours to avoid unusual or onerous patterns of shifts. As noted above, representatives of both SUN and CUPE review the master rotation.

In summary, Sunrise RHA has adequate processes to schedule nursing staff to deliver services.

Analyze labour costs to identify risks

We expected the RHA would keep accurate information on nursing staff labour costs. We expected the RHA would compare actual to expected labour costs and identify patterns and causes of excessive labour costs.

Nursing managers or other authorized staff are responsible for monitoring labour costs including overtime. The RHA uses daily timesheets to verify attendance and process payroll. However, 30% of the timesheets that we examined did not have evidence of appropriate approval. Lack of such approval increases the risk of errors in payroll and unauthorized overtime.

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[8] The RHA has delegated authority to approve payroll to unit clerks, administrative assistants or charge nurses, as well as nursing managers.

The RHA should ensure its nursing managers or authorized staff approve the daily timesheets.

Nursing managers receive monthly financial reports comparing actual to budgeted labour costs. To help analyze the labour costs, nursing managers also receive weekly compensation reports summarizing regular hours, sick hours, and overtime for each nursing department. The RHA's policies require nursing managers to review monthly financial reports and explain differences between actual and budgeted labour costs (variance). These explanations are provided to senior management and the Board. However, some of the monthly reports that we examined did not show any evidence of variance analysis. Lack of variance analysis increases the risk of payroll errors without detection. Also, lack of timely variance analysis may not allow the RHA to take corrective action to help control labour costs.

Senior management and the Board also receive quarterly reports for sick time and overtime hours by facility. These reports compare the RHA's actual sick and overtime hours to provincial averages. However, senior management and the Board do not receive reports identifying causes of nursing staff overtime.

The payroll system has the capacity to identify and record overtime costs by cause (e.g., sick leave replacement, workload, etc). For example, we requested a report of overtime and its causes. The report indicated that the highest cause of overtime was workload pressures, then sick relief, and so on. However, senior management does not receive such information. Reviewing such information could provide management an opportunity to help address how best to control overtime costs. The RHA should make use of the capacity in the system to better monitor and control overtime costs.

The RHA documents cost benefit analysis relating to overtime (e.g., hiring an additional full-time nurse may be more economical than continuing to pay overtime costs for workload pressures) when making proposals for staffing changes.

In summary, the RHA has adequate processes to analyze labour costs to identify risks except for the matters covered in the recommendations below.

1. **We recommend the Sunrise Regional Health Authority ensure its nursing managers or other authorized staff follow established policies to review and approve nursing staff timesheets.**

2. **We recommend the Sunrise Regional Health Authority identify and regularly report to the Board the causes of nursing staff overtime costs.**

Minimize excessive labour costs

We expected the RHA would consult with its stakeholders (e.g., staff, unions, professional associations) to minimize excessive labour costs. We expected the RHA would use prevention strategies to address causes of excessive labour cost. We expected the RHA would take action on excessive labour cost.

The RHA has one senior staff that evaluates health facilities for national accreditation and monitors nursing best practices across the country. Union/management committees meet regularly to discuss scheduling, attendance, and policy concerns. The RHA also works with the unions' local bargaining units to manage labour costs.

To minimize absenteeism due to sickness or injury and to promote a safe work environment, nursing staff receive orientation, regular training programs on occupational health & safety, and safe work practices. The training programs include training on proper lifting techniques. Lifting equipment is available in departments where needed. The RHA also provides access to staff health management programs and has counselling available through its Employee Family Assistance program.

Nursing managers are responsible for managing overtime costs. The RHA has established guidance to determine unacceptable patterns of sick leave and overtime by nurses. It has also established guidelines on how to address excessive labour costs.

If excessive overtime in a department is identified, the RHA's finance department works with the nursing manager to determine why and what can be done (i.e., what is in the manager's control and what is not). Nursing managers can require a medical certificate as proof of illness from nursing staff. Managers told us they usually have informal meetings with nursing staff if an employee seems to be incurring excessive sick leave. They are aware that a formal disciplinary process can take place if required.

The RHA tracks overtime and sick time by facility. Departments within facilities analyze the department's labour costs through monthly financial reports. As we stated earlier, the monthly financial reports did not always explain differences between the actual and budgeted labour costs.

Senior management told us that it is targeting to reduce overtime costs by 35% overall. Recently, the RHA Board approved two strategies addressing the issues of absenteeism and overtime as well as additional resources to implement the strategies. The RHA is currently in the process of implementing these strategies. As senior management moves forward to better identify causes of higher overtime, they should focus efforts on devising strategies to address identified causes. Senior management should also inform the Board regularly about the progress in addressing the causes of nursing staff overtime.

In summary, the RHA has adequate processes to minimize excessive labour costs except for the matter covered in the following recommendation.

3. **We recommend the Sunrise Regional Health Authority implement established strategies for addressing causes of nursing staff overtime costs and provide regular progress reports to the Board.**

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CIC Asset Management Inc.

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Main points

CIC Asset Management Inc. has adequately addressed recommendations made in our 2008 Report – Volume 1 about the oversight of its investments including processes to monitor public policy outcomes and key risks for each investment.

At December 2009, it is focusing on the management and divestment of its investments totalling about $200 million.

Introduction

CIC Asset Management Inc. (formerly Investment Saskatchewan Inc., the Corporation) is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation.[1] Effective April 2009, the Corporation's revised mandate is "to prudently manage and divest of its portfolio of investments."[2]

The Corporation held total assets of $393 million at December 31, 2009 (2008: $565 million) and in 2009, had a net loss of $33 million (2008: net earnings of $691 million).

This chapter sets out the results of our 2009 audit of CIC Asset Management Inc. It also describes management's actions on recommendations we made in our 2007 audit of the Corporation's processes to oversee investments.

Our audit conclusions and findings

KPMG LLP is the appointed auditor of CIC Asset Management Inc. Our Office and the appointed auditor worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors.*[3] The appointed auditor and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2009:

- **CIC Asset Management Inc. had adequate rules and procedures to safeguard public resources**
- **CIC Asset Management Inc. complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **The financial statements of CIC Asset Management Inc. are reliable**

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[1] On July 1, 2009, Investment Saskatchewan Inc. officially changed its name to CIC Asset Management Inc.

[2] CIC Asset Management Inc. 2009 Annual Report, p. 2.

[3] To view this report, see our website at www.auditor.sk.ca.

In the next section, we provide the results of our follow-up of our previous recommendations.

Processes to oversee investments—a follow-up

Background

At December 31, 2009, CIC Asset Management Inc. (Corporation) held $44 million (2008: $68 million) in companies that it owned and controlled and $173 million (2008: $174 million) in shares and loans of which $49 million (2008: $18 million) are publicly-traded shares. During 2009, it invested $7 million (2008: $21 million), wrote its investments down by $26 million[4] (2008: nil), and sold investments for proceeds of $7 million (2008: $808 million).

Related outstanding recommendations

Chapter 12 of our 2008 Report – Volume 1 includes results of our audit of the adequacy of the Corporation's processes to oversee its investments as at October 31, 2007. It reported that the Corporation had adequate processes except for the matters described in the following three recommendations. The Corporation should:

1. document its requirements, expectations, and planned assessment procedures in sufficient detail to facilitate a comprehensive evaluation of the investment manager's performance
2. document and monitor the expected and actual public policy outcomes for each investment
3. receive sufficient documentation, analysis, and updates of each investment's key risks

At December 31, 2009, the first recommendation was no longer relevant because, during 2009, the Corporation terminated its investment management agreement with its investment manager. As explained in the Significant Transaction Report that the Corporation provided to the Standing Committee on Crown and Central Agencies, the Corporation became directly responsible for the management and divestment of the related investments in July 2009.[5]

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[4] The $26 million writedown is comprised of $8 million related to investments in shares and loans and $18 million related to impairment of its investment in Big Sky Farms Inc.

At December 31, 2009, the Corporation had adequately addressed the last two recommendations. In the following sections, we set out key actions management took to address the recommendations.

Monitor public policy outcomes of investments

In April 2009, in conjunction with the decision to terminate its investment management agreement, the Corporation changed its mandate "to prudently manage and divest of its investments" and its mission "to support an effective divestiture of its investment portfolio that optimizes financial and public policy outcomes."[6] It also decided to limit further investments to companies in which it held shares or loans and make further investments in those companies only if:

- it had previously committed to make further investments
- a further investment was necessary to protect the value of its existing investment

Although its mission refers to optimizing both financial and public policy outcomes, its primary focus when making divestment decisions is to optimize the financial outcome.

Since June 2009, the Board of the Corporation approves all divestment plans and additional investments. Since May 2008, the Corporation has gathered more information, than previously, about the impact of its individual investments on the provincial economy (e.g., number of employees, gross payroll, forecasted annual capital expenditures, and estimated provincial income tax paid). It uses this information to monitor investments and their potential impact on public policy.

Also, each quarter, the Board receives various reports about its investments. These reports include details about each company in which the Corporation has invested. Details include financial and operational status of the company, the nature and extent of the Corporation's investment in that company (e.g., for shares: number, type, cost, and market value; for loans: outstanding principal and interest, interest rates, and maturity dates), impact of the company on the provincial economy, and the Corporation's divesting plans. The Corporation seeks the assistance of consultants to assist in preparing divesting plans.

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[5] CCA 142-26 dated September 24, 2009, tabled in the Standing Committee on Crown and Central Agencies.
[6] CIC Asset Management Inc. 2009 Annual Report, p. 2.

Receive sufficient information about each investment's key risks

Since the quarter ending March 31, 2008, the Board has received adequate quarterly reports about the key risks affecting its individual investments.[7] Information in these reports helps the Board monitor its existing investments and assess the Corporation's divesting plans.

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[7] Risks relevant to investing activities typically include liquidity risks (how easily an investment can be sold), financial risks (potential loss in value), and market risk (the effect of supply and demand on the price of the investment). Other risks also arise (e.g., business risks–that is, an organization not meeting its business plan).

Saskatchewan Gaming Corporation

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Main points

Saskatchewan Gaming Corporation (SGC) needs written procedures for information technology (IT) security to help ensure the confidentiality, integrity, and availability of information systems and data.

SGC also needs a written, tested, and approved disaster recovery plan so it can continue to use IT services in the event of a disaster.

As well, SGC needs to further improve its human resource plan.

For the year ended December 31, 2009, SGC's consolidated financial statements are reliable. SGC had adequate processes to safeguard public resources except as described above, and it complied with authorities governing its activities.

Introduction

Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority. *The Saskatchewan Gaming Corporation Act, 1994* established SGC.

Casino Regina is a full-service casino and entertainment centre. Casino Regina has slot machines, table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has slot machines and table games. SGC has a total of 995 slot machines and 42 table games in its casinos.

SGC also owns SGC Holdings Inc. (SGC Holdings). SGC Holdings is a corporation registered under *The Business Corporations Act* (Saskatchewan). SGC Holdings purchases capital assets and leases them to SGC for the operation of the above casinos. SGC's consolidated financial statements include the financial results of SGC Holdings.

SGC's consolidated financial statements for the year ended December 31, 2009 report net revenues of $131.8 million, expenses of $81.1 million, net income of $25.4 million, and assets of $78.4 million.

Audit conclusions and findings

To form our opinions on SGC and SGC Holdings, our Office worked with their appointed auditor, Deloitte & Touche LLP. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors.*[1]

In our opinion, for the year ended December 31, 2009:

- **SGC had adequate rules and procedures to safeguard public resources and those of SGC Holdings except for the matters described in this chapter**

- **SGC complied with authorities governing its activities and the activities of SGC Holdings relating to financial reporting,**

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[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

safeguarding public resources, revenue raising, spending, borrowing, and investing

- **the consolidated financial statements for SGC and the financial statements for SGC Holdings are reliable**

Controls to safeguard public resources

Well-performing agencies do three things to help ensure they have effective controls to safeguard public resources. First, they ensure management provides adequate guidance to employees. Second, they require management to establish processes to ensure employees follow the established guidance. Third, they monitor how well they are progressing towards achieving their established goals. We provide our findings in these areas below.

Effective guidance to employees

Agencies should document their policies to provide employees ready guidance to understand and follow the policies. SGC has documented and communicated policies for all areas except those noted below.

Better disaster recovery plan needed

SGC needs a written, tested, and approved disaster recovery plan (DRP) to help ensure that it can continue to use information technology (IT) services in the event of a disaster.

We reported this matter in our 2008 Report – Volume 3. We recommended that SGC prepare a complete disaster recovery plan and assess the need for a business continuity plan. In January 2009, the Standing Committee on Crown and Central Agencies (CCAC) agreed with our recommendation.

SGC places significant reliance on its IT systems to operate. Without an adequate DRP, SGC is at risk of not being able to provide its IT services in a timely manner. Therefore, it may be at risk of not being able to operate its casinos. SGC also needs to assess the requirement for a business continuity plan (BCP) by completing a threat and risk assessment. A BCP would help SGC recover critical business functions in the event of a disaster.

SGC has a DRP that covers most of its IT systems. This DRP has not been reviewed and approved by management. SGC has an alternate processing site in the event of a disaster and its DRP includes its backup procedures. The DRP should cover all IT systems and include a ranking of SGC's critical applications and documented recovery and restoration steps.

Management told us it has assessed the need for a BCP and concluded that SGC will complete it by 2011.

We continue to recommend that Saskatchewan Gaming Corporation prepare a complete disaster recovery plan.

Better information technology security policies and procedures needed

SGC needs to fully document its IT security procedures and ensure staff follow them. IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data.

We also reported this matter in our 2008 Report – Volume 3. We recommended that SGC fully document its procedures for the security of its information technology systems and ensure that these procedures are being followed. In January 2009, CCAC agreed with our recommendation.

SGC has some IT security policies that define staff roles and responsibilities. The policies identify processes needed for good security including user access, physical security, and virus protection. However, SGC does not have written procedures to monitor compliance with those policies.

SGC must ensure that its staff follow IT policies and procedures. Without adequate monitoring of compliance with IT policies and procedures, SGC's data is at risk of disclosure, modification, or loss.

SGC needs to improve its processes for protecting its network. For example, we found SGC does not always document its monitoring of server log files, firewall logs, security patches, and hardware and software maintenance. As a result, SGC may not identify attempted or successful security breaches or may have a disruption of service due to inadequate maintenance.

We continue to recommend that Saskatchewan Gaming Corporation fully document its procedures for the security of its information technology systems and ensure that these procedures are being followed.

Management told us that it has completed and approved an IT Security Framework in early 2010. This will aid SGC to develop its procedures for securing its information technology systems.

Better human resource plan needed

SGC needs to improve its human resource plan. Rigorous human resource plans help ensure agencies have the right number of employees, with the right competencies, at the right time.

We have reported this matter since 2007. We recommended that SGC improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and setting out plans to address human resource gaps. The Standing Committee on Public Accounts considered this matter in 2007 and agreed with our recommendation.

SGC has prepared a human resource plan. The plan includes some discussion about SGC's key human resource risks, but it does not prioritize identified risks (i.e., by considering the likelihood and nature of consequences or risks). SGC has identified general strategies to address its human resource risks. SGC continues to work on detailed action plans to implement the strategies identified.

Also, the human resource plan does not identify SGC's future human resource needs to meet its goals and objectives and it does not identify and analyze anticipated shortfalls or surpluses (gaps).

We continue to recommend that Saskatchewan Gaming Corporation improve its human resource plan by prioritizing its key human resource risks and analyzing human resource gaps.

Glossary

Business Continuity Plan (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery Plan (DRP) – Plan by an organization to respond to unforeseen incidents, accidents or disasters that could affect the normal operation of a computerized system. A DRP is only one component of a Business Continuity Plan.

Firewall—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

Log—A record of computer, network, or application use.

Network—A group of computers that communicate with each other.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

Server—A computer that hosts systems or data for use by other computers on a network.

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Saskatchewan Government Insurance

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Main points

Saskatchewan Government Insurance (SGI) makes extensive use of information technology (IT). This includes computers and networks including a large, system-wide network that provides most of SGI's personnel with access to email and significant amounts of information stored on network servers. We audited the security of wireless access to these resources (wireless access is where computers communicate with each other without being physically connected by a wire or cable).

SGI has substantially limited its wireless security risks. Its corporate network is not a wireless network. SGI's wireless security risks are limited to its wireless-enabled mobile computers (i.e., laptops) and to wireless data transmission at certain rural motor licence issuers. SGI needs to provide employees with awareness training on the security risks of wireless-enabled laptops, promptly update its laptops to protect against known security risks, and strengthen its IT security settings.

Introduction

Saskatchewan Government Insurance (SGI) sells property and casualty insurance in Saskatchewan. Its wholly-owned company, SGI Insurance Services Ltd. (SCISL), sells property and casualty insurance in Manitoba and Alberta.

Also, SCISL owns 100% of the issued shares of Coachman Insurance Company (Coachman) and 75% of the issued shares of Insurance Company of Prince Edward Island (ICPEI). Coachman sells property and casualty insurance including automobile insurance in Ontario. ICPEI sells property and casualty insurance including automobile insurance in Prince Edward Island, Nova Scotia, and New Brunswick.

SGI also manages the Saskatchewan Auto Fund (Auto Fund). The Auto Fund is Saskatchewan's compulsory automobile insurance program. It receives money from the motoring public and pays claims. The Auto Fund does not receive any money from the General Revenue Fund (GRF). Nor does it pay any dividends to the GRF or the Crown Investments Corporation of Saskatchewan. The financial results of Auto Fund are not included in SGI's financial statements.

SGI sponsors the Saskatchewan Government Insurance Superannuation Plan (SGI Pension Plan). The SGI Pension Plan is a defined benefit pension plan (closed to new members since 1978). The Board of Directors of SGI is responsible for administration of the SGI Pension Plan under *The Pension Benefits Act, 1992*. The primary objective of the SGI Pension Plan is to provide pensions to retired employees and the dependents of deceased pensioners and employees of SGI. SGI provides day-to-day management of the SGI Pension Plan.

The 2009 Annual Report for SGI includes its consolidated financial statements (including the operating results of the companies SGI owns) for the year ended December 31, 2009. Those statements report revenue of $390 million, net income of $52 million, total assets of $827 million, and retained earnings of $126 million.

The 2009 Annual Report for the Auto Fund includes its financial statements for the year ended December 31, 2009. Those statements report revenue of $686 million, net loss to the rate stabilization reserve of

$41 million, total assets of $1,496 million, a rate stabilization reserve of $67 million, and a redevelopment reserve of $21 million.

The annual report for SGI's Pension Plan includes its financial statements for the year ended December 31, 2009. Those statements report contributions from employees and SGI of $0.1 million, pension payments of $3 million, net assets of $36 million, and pension benefits owing of $37 million.

Audit conclusions and findings

KPMG LLP is the appointed auditor for SGI, the Auto Fund, SCISL, Coachman, ICPEI, and SGI Pension Plan. Our Office worked with the appointed auditor using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1] Our Office and KPMG LLP formed the following opinions.

In our opinion, for the year ended December 31, 2009:

- **SGI, Auto Fund, SCISL, Coachman, ICPEI, and the SGI Pension Plan had adequate rules and procedures to safeguard public resources**
- **SGI, Auto Fund, SCISL, Coachman, ICPEI and the SGI Pension Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **the financial statements of SGI, Auto Fund, SCISL, Coachman, ICPEI, and the SGI Pension Plan are reliable**

The remainder of this chapter reports the result of our audit to assess the adequacy SGI's wireless network security controls.

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[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

Wireless network security audit

SGI makes extensive use of information technology (IT). This includes computers and a large, system-wide network that provides most of SGI's personnel with access to email and significant amounts of information stored on network servers.

SGI has limited its use of wireless network access. Wireless access is where computers communicate with each other without being physically connected by a wire or cable.[2] SGI's corporate network is not a wireless-enabled network. SGI's wireless security risks arise from its mobile computers (i.e., laptops) with wireless capability that connect to its corporate network and from wireless data transmission at certain motor licence issuers located in rural communities.

Wireless networks and related risks

Networks that can be accessed by wireless devices involve additional security risks compared to networks that cannot be accessed wirelessly. For example, they can be easier to break into, especially poorly designed or implemented wireless networks.

Even if an agency has not set up a wireless network, many computers have wireless capabilities built in and can be used to set up informal or unapproved networks. And because wireless information is usually transmitted via radio waves and is potentially available to any computer within range of the signal, there is greater risk of unauthorized access. This risk can be reduced, but it requires careful network and device implementation (for example, using an appropriate design, requiring appropriate encryption, and keeping hardware and software up-to-date) together with other controls such as training and security awareness.

Because of the risks associated with wireless access, SGI must effectively manage and monitor its wireless resources so that only approved and secure wireless activities take place.

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[2] "Wireless' is sometimes used to refer to cellular technology. In this audit we are referring to electronic communications using the IEEE 802.11 standard, often referred to as Wi-Fi.

Audit objective and conclusion

The objective of our audit was to assess whether SGI had adequate wireless network security processes for the period October 1, 2009 – March 31, 2010.

This audit did not include handheld devices such as Blackberries. We followed *The Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants in carrying out this audit.

We used the criteria outlined in Exhibit 1 to assess SGI's controls. The criteria are based upon the National Institute of Standards and Technology, the Payment Card Industry Standard, and the wireless security testing section of the Open-Source Security Testing Methodology Manual. The selected references at the end of this chapter set out the sources of the criteria. SGI agreed with the criteria.

Exhibit 1—Audit criteria

To have adequate wireless network security controls, SGI should:

1. **Maintain effective management of wireless security**
    - 1.1 Assign responsibility for wireless security
    - 1.2 Maintain wireless security policies and procedures
    - 1.3 Maintain documentation of wireless architecture
    - 1.4 Require approval for wireless devices
    - 1.5 Maintain a current list of wireless approvals
    - 1.6 Use secure methods to administer wireless devices

2. **Secure wireless infrastructure**
    - 2.1 Securely configure wireless devices
    - 2.2 Deploy updates and security patches
    - 2.3 Encrypt wireless traffic
    - 2.4 Implement additional controls to secure networks accessible by wireless devices
    - 2.5 Implement security controls to limit unauthorized wireless activity

3. **Monitor wireless security**
    - 3.1 Maintain an inventory of wireless devices on the network
    - 3.2 Monitor wireless activity logs
    - 3.3 Monitor for unauthorized wireless activities

We concluded that Saskatchewan Government Insurance had adequate wireless network security processes for the period October 1, 2009 – March 31, 2010 except for the specific matters on wireless-enabled laptop computers described below.

Key findings by criteria and recommendations

We describe below what we expected (in italics) and our key findings and recommendations for each criterion.

Maintain effective management of wireless security

We expected SGI to:

- *Assign responsibility for wireless security*
- *Maintain wireless security policies and procedures*
- *Maintain documentation of wireless architecture*
- *Require approval for wireless activities*
- *Maintain a current list of wireless approvals*
- *Use secure methods to administer wireless devices*

SGI has documented overall responsibility for IT and for networks through job descriptions. SGI has also approved IT security policies and procedures and has implemented a security awareness program. This program includes various components including a security awareness month with weekly articles, quizzes, contests, and a security self-assessment survey.

SGI's IT security policy requires that any requests for the use of wireless network technology be assessed for potential risks and approved by management. It also refers to appropriate wireless networking standards.

SGI has not deployed a wireless-enabled corporate network. It also has implemented procedures to promptly detect and investigate unauthorized electronic devices (e.g., portable computers, wireless devices etc.) that attempt to connect to its corporate network. Consequently, SGI has substantially limited its risks from unauthorized wireless connections to its corporate network.

Because of the risks described below with wireless-enabled laptop computers, we expected SGI's IT security policy to govern their use. We expected the policy would cover providing wireless capability to staff specifically authorized to use it. In addition, we expected SGI's security awareness program to address the risks and training needed to securely use this wireless capability. It does not.

Management told us that it had approved the use of wireless on SGI's laptop computers.

1. **We recommend that Saskatchewan Government Insurance provide training to employees with wireless-enabled laptop computers on how to use this technology securely.**

Secure wireless infrastructure

We expected SGI to:

- *Securely configure wireless devices*
- *Deploy updates and security patches*
- *Encrypt wireless traffic*
- *Implement additional controls to secure networks accessible by wireless devices*
- *Implement security controls to limit unauthorized wireless activity*

SGI needs to strengthen the security of its wireless-enabled laptop computers.

Insecure wireless-enabled laptops increase the risks to SGI's corporate systems and data. For example, a user of an insecure wireless-enabled laptop could connect, accidentally or intentionally, to an outside wireless network while connected to the corporate network. Such a connection provides a way into the corporate network. SGI's corporate network defence systems may not readily detect this kind of unauthorized access. At the time of our test, we did not detect (at SGI's head office) accessible wireless signals from external sources.

In addition, a wireless-enabled laptop that is not promptly updated for known security weaknesses and that does not properly log and restrict security breach attempts is at a higher risk of compromise when used away from the office. For example, users could access internet sites from hotel rooms, airports, etc. that appear to offer legitimate web access, but instead contain security threats. If intruders were to exploit laptop security weaknesses and gain account user names and passwords, they may be able to use computer connections trusted by the corporate network to compromise it when a user returns to the office.

SGI adequately secures, through password protection and hard drive encryption, the capability to use and access stored data on the laptops. It also promptly updates the virus protection software on its laptop computers. However, it does not promptly patch its laptops for known security weaknesses or adequately configure its laptops to log and restrict security breach attempts. Logs provide the information necessary to investigate attempted inappropriate access to these computers or unauthorized alterations of their settings.

2. **We recommend Saskatchewan Government Insurance promptly update its laptop computers to protect against known security weaknesses.**

3. **We recommend Saskatchewan Government Insurance configure its laptop computers to reduce the risk of inappropriate access and to log such attempts.**

The wireless infrastructure at motor licence issuers located in rural communities encrypts the data to and from SGI using a virtual private network. This technology is effective in protecting the confidentiality and integrity of transmitted data.

Monitor wireless security

We expected SGI to:

- *Maintain an inventory of wireless devices on the network*
- *Monitor wireless activity logs*
- *Monitor for unauthorized wireless activities*

As stated earlier, SGI does not have a corporate wireless-enabled network. To safeguard its corporate network from wireless risks, SGI has implemented controls to promptly detect and investigate any unauthorized electronic devices (e.g., portable computers, wireless devices, etc.) being connected to its corporate network. These controls are very effective at protecting SGI's corporate network from unauthorized wireless devices.

During the audit, we checked each floor of SGI's head office for unauthorized wireless activity. We did not find any examples of internal wireless activity. This test also confirmed that SGI had no wireless devices connected to its network and, as noted earlier, we found no wireless activity originating from external sources.

Glossary

Access point—An electronic device that provides other devices, such as computers, with a point of entry into a network.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

Firewall—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

IT infrastructure—An organization's computer and network assets.

Log—A record of computer, network, or application use.

Network—A group of computers that communicate with each other.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

Server—A computer that hosts systems or data for use by other computers on a network.

Traffic—Information travelling over a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

Virtual private network—A private network that is configured within a public network (e.g. the Internet) to provide secure site-to-site connections for data transmission.

Wireless architecture—The overall design of an organization's wireless network, both in terms of its physical components and in how data is meant to travel.

Wireless network—A network where computers communicate without being physically connected by a cable or "wire", for example, using radio signals.

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Saskatchewan Power Corporation

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Main points

Responsibilities of NorthPoint Energy Solutions Inc. (NorthPoint), a wholly-owned subsidiary of SaskPower, include buying and selling electricity in various markets in Canada and the United States. On numerous occasions during 2008 and 2009, NorthPoint may have violated a rule of a market and, as a result, exposed itself to financial penalties. Violations of market rules can cause additional costs and impair NorthPoint's reputation and ability to participate in key electricity trading markets. NorthPoint has not provided its staff with adequate training on market rules and adequately monitored compliance with market rules. Adequate training and monitoring is essential to reduce the risk of violations occurring.

Most of SaskPower's power-generating stations were built before 1970. Based on its projected needs for electricity, SaskPower will need to rebuild, replace, or acquire about 4,100 megawatts by 2030. In 2006, we assessed SaskPower's processes to plan for infrastructure needs related to generating electricity and made two recommendations. SaskPower has adequately addressed our recommendation about using its new strategic plan to assess alternative strategies that address identified infrastructure needs. Also, through its risk management initiative, SaskPower has partially implemented our recommendation about documenting the nature and extent of specific infrastructure risks that it accepts when it approves projects.

In 2009, SaskPower spent almost $900 million on capital projects and goods and services (excluding salaries and related benefits). In 2007, we assessed SaskPower's processes to buy goods and services valued at under $100,000 and made four recommendations. In 2009, staff documented reasons for the selected purchase methods, and had better guidance on setting bid submission deadlines. However, staff did not always obtain appropriate approvals for purchases before finalizing purchase decisions. Also, SaskPower did not track problems with key suppliers and make this information available for purchasing decisions.

Introduction

SaskPower is the principal supplier of electricity in Saskatchewan operating primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's mission is to deliver power in a safe, reliable, and sustainable manner.

SaskPower's consolidated financial statements include the financial results of SaskPower and its subsidiaries. SaskPower wholly-owns three companies – NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Greenhouse) and SaskPower International Inc. As well, SaskPower sponsors the Power Corporation Superannuation Plan (Superannuation Plan).

SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan each provide the Legislative Assembly with their annual financial statements. Because SaskPower International Inc. had no active operations in 2009 beyond its joint venture interests, it does not provide the Assembly with financial statements. The financial results of its joint venture interests are included in SaskPower's consolidated financial statements.

This chapter sets out the results of our 2009 audits of SaskPower, its subsidiaries, and the Superannuation Plan. It also describes management's actions on the recommendations we made in two previous audits. The first audit examined SaskPower's processes, in place in 2005, to plan for infrastructure needs related to generating electricity. The second audit examined SaskPower's processes, in place in 2007, to buy goods and services.

Our audit conclusions and findings

Deloitte & Touche LLP is the appointed auditor of SaskPower, NorthPoint, and the Superannuation Plan. Meyers Norris Penny LLP is the appointed auditor of Greenhouse. Our Office and the appointed auditors worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors*.[1] The appointed auditors and our Office formed the following opinions.

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[1] To view this report, see our website at www.auditor.sk.ca.

In our opinion, for the year ended December 31, 2009:

- **the financial statements of SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan are reliable**
- **SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan had adequate rules and procedures to safeguard public resources except for the matter noted below**
- **SaskPower, NorthPoint, Greenhouse, SaskPower International Inc., and the Superannuation Plan complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

During the audit, we noted potential violations of an electricity-trading rule by NorthPoint.

NorthPoint Energy Solutions Inc.

Introduction

NorthPoint provides SaskPower with generation and load management services and, in certain circumstances sells and buys electricity for domestic use.[2] Since 2005, it also manages SaskPower's natural gas supplies for SaskPower's natural-gas fired power plants.[3] It also acts as a principal in wholesale electricity trading transactions that do not relate to electricity generated in Saskatchewan.

In 2009, NorthPoint had revenues of $79.9 million including $6.3 million in service fees from SaskPower and net income of $3.7 million. At December 31, 2009, it held total assets of $29.2 million.

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[2] NorthPoint sells and buys electricity for domestic use when a shortfall occurs or when lower cost power is available for use in Saskatchewan.

[3] Additional information on NorthPoint Energy Solutions Inc. is available on its website at www.northpointenergy.com.

Potential electricity trading market rule violations

NorthPoint did not provide staff with adequate training on market rules or adequately monitor compliance with market rules.

NorthPoint participates in electricity trading markets operating in Canada (Alberta, Manitoba, and Ontario) and in the United States (Northwest, Mid-continent, and East). Each of these markets has its own rules to regulate the interrelationships among the market participants trading in electricity. Each market routinely makes changes to these rules. Some rules regulate the fairness and openness of trading whereas others are administrative in nature. Not complying with certain rules can result in financial penalties or suspension from participation in the market.

Through agreements, NorthPoint is required to follow these rules when conducting a trade. Also, NorthPoint's code of conduct requires staff to comply with its policies and to conduct their activities in compliance with all related laws and regulations.

On numerous occasions during 2008 and 2009, NorthPoint may have violated a rule of a market, and as a result, exposed itself to financial penalties. At December 2009, the market regulator has not reviewed or reached a final decision on this matter.

NorthPoint's regulatory monitoring processes were not managed separately from its market trading personnel, staff was not appropriately supervised, and potential violations were not dealt with appropriately. Furthermore, NorthPoint staff did not fully understand the requirements of the rule or the consequences of potential violations, and did not regard them as non-compliance with NorthPoint's code of conduct.

Violations of market rules may result in additional costs. They also increase NorthPoint's risk of impairing its reputation and its future ability to participate in key electricity trading markets.

1. **We recommend NorthPoint Energy Solutions Inc. assign responsibility for monitoring compliance with electricity and natural gas trading market rules to staff not directly involved in trading activities.**

2. **We recommend NorthPoint Energy Solutions Inc. establish a training program that provides its staff with ongoing training on market rules and on NorthPoint's Energy Solutions Inc. processes to monitor compliance with those rules.**

Management told us the following. NorthPoint has created a new position that is not directly involved in trading activities and is responsible for monitoring compliance with trading rules. NorthPoint is also in the process of participating in market-rule development groups to gain a better understanding of the markets and to effect rule changes in a collaborative manner. Also, NorthPoint is developing an ethics and compliance-training program with an external consultant and plans to deliver this training to all staff in spring 2010.

Processes to plan for infrastructure needs—a follow-up

Introduction

In 2009, SaskPower provided more than 467,000 customers with about 18,000 gigawatt hours[4] of electricity.

At December 2009, SaskPower can generate up to 3,840 megawatts[5] of electricity. SaskPower's generating infrastructure includes three coal-fired power stations, seven hydroelectric stations, four natural-gas stations, and two wind generation facilities. Most of the power-generating stations were built before 1970. Based on SaskPower's projected needs for electricity, SaskPower will need to rebuild, replace, or acquire about 4,100 megawatts by 2030.[6]

At December 31, 2009, the power stations had a cost of $3.9 billion and a net book value of $2.2 billion.[7] Over the last five years, SaskPower invested $2.1 billion on upgrading and expanding its infrastructure including power stations.[8]

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[4] One gigawatt-hour represents one hour of electricity consumed at a constant rate of one gigawatt.
[5] Megawatt is a unit of power equal to one million watts or 0.001 of a gigawatt.
[6] SaskPower 2009 Annual Report p.2.
[7] Ibid, p.78.
[8] Ibid, p.47.

Related outstanding recommendations

Chapter 13 of our 2008 Report – Volume 1 includes the status of recommendations from our 2006 audit of the adequacy of SaskPower's processes to plan for infrastructure needs related to generating electricity at December 31, 2005. It reports that SaskPower, at March 31, 2008, had adequately addressed two of four recommendations we made in our 2006 Report – Volume 1. We continued to recommend that SaskPower:

1. use its new strategic plan to assess alternative strategies that address identified infrastructure needs

2. document the nature and extent of specific infrastructure risks that it accepts when it approves projects

The Standing Committee on Crown and Central Agencies agreed with these recommendations on January 10, 2007.

Key findings—overall and by recommendation

As explained below, at December 31, 2009, SaskPower has adequately addressed the first recommendation and, through its risk management initiative, has partially implemented the second recommendation.

Assessing alternate strategies consistently

Since our audit in 2006, SaskPower has updated its strategic plan. In October 2009, SaskPower tabled in the Crown and Central Agencies Committee[9] its plan to meet infrastructure needs (*Powering a Sustainable Energy Future – The Electricity and Conservation Strategy for Meeting Saskatchewan Needs)*. It has also assigned responsibility for planning and preparing key planning documents to a single business unit (i.e., the Planning, Environmental, and Regulatory Affairs business unit) to make its planning more consistent.

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[9] In October 2009, the Standing Committee on Crown and Central Agencies initiated an inquiry "to determine how Saskatchewan can best meet the growing demand for electricity in a manner that is safe, reliable, environmentally sustainable and affordable for Saskatchewan residents". See website at www.legassembly.sk.ca/committees/CrownCentralAgencies/crown_central_agenciesnew.htm.

SaskPower has also developed templates to help it consistently document and evaluate proposed power-generating capital projects and long-term supply option scenarios. The templates set minimum documentation requirements that require staff to show how the project or scenario aligns with SaskPower's strategic plan and priorities. For example, the capital project template requires staff to describe the project (objective, reasons for proposal, relevant federal and provincial regulations or standards), determine its cost-benefit, indicate alignment to SaskPower's strategic priorities as set out in its strategic plan, and complete a formal project risk analysis.

Documenting infrastructure risks

Since our audit, SaskPower revised its approach to identify, assess, mitigate, and monitor risks and has plans to formalize its practices further by making them more consistent across the company. During 2009, SaskPower engaged a consultant to review its risk management practices and to help it adopt a "Enterprise Risk Management" model. Also SaskPower used, on a pilot basis, a more formalized risk management process on a few selected capital projects.

Processes to buy goods and services—a follow-up

Introduction

Effective acquisition of goods and services is crucial to SaskPower. As set out in its purchasing objective, it expects "to ensure SaskPower and its subsidiaries purchase goods and services in a manner that maximizes value, competition, and fairness and results in the best possible balance of benefits to SaskPower and to the people of Saskatchewan."[10]

In 2009, SaskPower bought about $250 million of goods and services (e.g., materials, contract management) excluding its salaries and related benefits, and, spent over $640 million on capital projects. Capital projects include turbine and boiler upgrades, transmission lines, and wood pole replacement. Each year, SaskPower does business with about 5,000 suppliers.

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[10] *SaskPower Purchasing Policy and Procedures*, September 2007, p. 4.

Related outstanding recommendations

Chapter 23 of our 2007 Report – Volume 3 includes results of our audit of the adequacy of SaskPower's processes to buy goods and services valued at under $100,000 for the seven-month period ending July 31, 2007. It reported that SaskPower had adequate processes except for the matters described in the following four recommendations. We recommended that:

1. Where SaskPower allows for a choice of an approved purchase method, it consistently follow its established processes that require its staff to document the rationale for the method chosen

2. SaskPower provide staff with guidance on setting acceptable bid submission deadlines

3. SaskPower consistently follow its established processes that require its staff to obtain the appropriate approval of the purchase prior to finalizing the purchase decision

4. SaskPower track problems with key suppliers and make this information available for purchasing decisions

Key findings—overall and by recommendation

As explained below, at December 31, 2009, SaskPower had adequately addressed the first two recommendations but had not yet addressed the last two recommendations.

Documenting chosen purchase methods and providing guidance on acceptable bid submission deadlines

To increase staff's awareness and reinforce the process set out in its Purchasing Policy and Procedures Manual, SaskPower provided over 500 staff with specific training on its purchasing policies and procedures during 2007 to 2009. It plans to provide further training in 2010. These training sessions explained its key purchasing policies and procedures. It reinforced that staff must use approved purchase methods for specific situations, and provided staff with information on setting bid submission deadlines consistent with its policies.

SaskPower adequately documented its reasons for selecting the purchase method and better documented its rationale of bid submission deadlines where the time between the invitation or request and the deadline was short.

Obtaining approval as required by established purchasing processes and making information on problems with key suppliers available to decision makers

Although its policies are clear and training reinforced its policies, staff did not consistently obtain the required approval before finalizing the purchase decision. Its policies require that staff do so. Obtaining proper approval prior to finalizing the purchase makes certain the purchase decision (including chosen purchase method) is appropriate.

Also consistent with the findings in our 2007 audit, SaskPower does not document issues with individual supplier's performance in a coordinated and accessible format. Tracking supplier performance can reduce the risk that SaskPower will continue to use suppliers with known performance problems.

In 2009, SaskPower, with the assistance of a consultant, developed a proposal to improve its purchasing processes. Potential improvements include streamlining approval processes and better management of supplier information through use of a computerized system to capture and track supplier performance information. At December 31, 2009, SaskPower was reviewing this proposal.

Saskatchewan Telecommunications Holding Corporation

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Main points

Saskatchewan Telecommunications Holding Corporation (SaskTel) markets and supplies a range of voice, data, internet, wireless, text, image, security and entertainment products, systems, and services.

SaskTel accepts payments from customers using credit cards. SaskTel needs to improve security over customer credit card information.

SaskTel, the companies it owns, and its pension plan had reliable financial statements; complied with the law; and had adequate rules and procedures to safeguard their public resources except for the matter described above.

Introduction

Saskatchewan Telecommunications Holding Corporation (SaskTel) markets and supplies a range of voice, data, internet, wireless, text, image, security and entertainment products, systems and services.[1] SaskTel provides these products and services through its companies listed below.

Related companies and pension plan

At December 31, 2009, SaskTel owned the following companies with active operations (percentage of SaskTel's ownership is set out in parenthesis):

- Saskatchewan Telecommunications (100%)
- Saskatchewan Telecommunications International, Inc. (100%)
- DirectWest Corporation (100%)
- SecurTek Monitoring Solutions Inc. (100%)
- Hospitality Network Canada Inc. (100%)
- Saskatoon 2 Properties Limited Partnership (70%)

Also, SaskTel sponsors and administers the Saskatchewan Telecommunications Pension Plan.

Each year, SaskTel gives its annual report including its audited consolidated financial statements and the audited financial statements of each of the above-listed companies and pension plan to the Legislative Assembly. For additional information on SaskTel and its companies, see SaskTel's website at www.sasktel.com.

Audit conclusions and findings

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of SaskTel, the above-listed companies, and pension plan. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[2] KPMG LLP and our Office formed the following opinions.

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[1] SaskTel, 2008 Annual Report, p.52.

[2] To view this report, see our website at www.auditor.sk.ca/rrd.html.

In our opinion, for the year ended December 31, 2009:

- **the financial statements of SaskTel, each of the above-listed companies, and the Saskatchewan Telecommunications Pension Plan are reliable**
- **SaskTel, each of the above-listed companies, and the Saskatchewan Telecommunications Pension Plan had adequate rules and procedures to safeguard public resources except for the matter described in this chapter**
- **SaskTel, each of the above-listed companies, and the Saskatchewan Telecommunications Pension Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

Better security for customer credit card information required

As reported in our 2009 Report – Volume 1, SaskTel needs to improve security over customer credit card information.

SaskTel accepts payments from customers using credit cards. SaskTel stores, processes, and transmits customer credit card information. SaskTel does not have adequate controls, including those defined by the credit card industry, to provide reasonable assurance that customer credit card information is securely transmitted and stored. As a result, unauthorized access of customer credit card information could occur without ready detection.

1. **We continue to recommend SaskTel have adequate controls to ensure customer credit card information is securely transmitted and stored.**

Management of SaskTel told us that it is working to strengthen its controls and to fully implement the standards required by the credit card industry.

Saskatchewan Water Corporation

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Main points

The Saskatchewan Water Corporation (SaskWater) needs to protect its information technology (IT) systems and data. SaskWater needs to approve an adequate IT security policy, sign an IT service agreement with its IT service provider, and monitor the adequacy of the security controls used by its IT service provider.

SaskWater should periodically verify the existence and valuation of its physical assets. SaskWater should establish code of conduct policies and require criminal record checks for its employees in positions of trust.

Introduction

The Saskatchewan Water Corporation (SaskWater) operates under *The Saskatchewan Water Corporation Act*. SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

At December 31, 2009, SaskWater held assets of $95 million, had operating revenue of $20.8 million, and had net income of $0.5 million. Each year, SaskWater gives its annual report including its audited financial statements to the Legislative Assembly.[1]

Audit conclusion and findings

Our Office worked with Deloitte & Touche LLP, the appointed auditor, to carry out the audit of SaskWater. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). Deloitte & Touche LLP and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2009:

- **SaskWater had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- **SaskWater complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **SaskWater's financial statements are reliable**

Information technology controls need improvement

SaskWater needs to protect its information technology (IT) systems and data. We found three areas where IT systems and data were not properly protected.

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[1] See www.saskwater.com

SaskWater needs to establish an adequate IT security policy. IT security policies help ensure the confidentiality, integrity, and availability of information systems and data. Without adequate IT security policies, SaskWater's systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

1. **We recommend that Saskatchewan Water Corporation establish an adequate information technology security policy.**

SaskWater does not have an IT service agreement with its IT service provider.

SaskWater needs a service agreement with the IT service provider setting out the roles and responsibilities of both the IT service provider and SaskWater. For example, the agreement would describe the services to be provided by the IT service provider (such as help desk services and application development), service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as time frames for setting up new email accounts), and the term of the agreement. The agreement should also identify security and disaster recovery requirements.

Without a signed service agreement, there is risk that SaskWater's needs may not be met. For example, the IT service provider had limited incident and problem management procedures and did not monitor the security logs of network equipment, such as firewalls, to help keep SaskWater's systems and data secure. Regular review of security logs ensure staff take corrective action on security incidents and reduce the risk of inappropriate access to systems and data. SaskWater should obtain adequate information about the security of its systems and data from its IT service provider.

The IT service provider did not implement adequate network password complexity requirements, did not control access authorization requests appropriately, and did not have adequate processes to monitor the appropriateness of user access within the IT systems. This increases the risk of inappropriate access to SaskWater's systems and data.

SaskWater informally approved system development changes. The IT service provider kept inadequate documentation to support the changes made in the IT system. To protect the integrity of data and maintain an audit trail, all changes to SaskWater IT systems need to be formally documented and approved prior to implementation.

2. **We recommend that Saskatchewan Water Corporation have an adequate information technology service agreement with its information technology security service provider.**

3. **We recommend that Saskatchewan Water Corporation monitor the adequacy of the security controls its information technology service provider uses to protect the Corporation's systems and data.**

Periodic verification of physical assets required

SaskWater does not have adequate processes to periodically verify the existence and value of its physical assets. SaskWater is at risk that some physical assets may no longer exist or are not valued properly. At December 31, 2009, SaskWater held physical assets of $86.9 million (net book value). SaskWater should periodically verify the existence and valuation of its physical assets.

4. **We recommend that Saskatchewan Water Corporation periodically verify the existence and valuation of its physical assets.**

Reinforcing of appropriate staff conduct needed and criminal record checks required

SaskWater needs to provide staff with written guidance to help ensure appropriate staff conduct (i.e., code of conduct). To protect the public interest and maintain a respectful workplace, staff must understand the conduct expected of them. Policies and supporting guidance help staff understand and avoid situations of conflict. They also help staff provide services with integrity and impartially at all times. Supervisors must be provided with guidance to use appropriate discipline procedures and staff must be provided with opportunities to communicate inappropriate behaviour to their supervisors when situations occur.

SaskWater also needs criminal record checks for employees in positions of trust (i.e., those responsible for the collection, receipt, disbursement, or expenditure of public money) to reduce the risk of loss of public money. Criminal record checks are part of a prudent employment process that would help SaskWater:

- maintain public confidence in the public service
- keep its employees, clients, and stakeholders safe
- administer public funds securely

5. **We recommend that Saskatchewan Water Corporation establish code of conduct policies and communicate these policies to staff.**

6. **We recommend that Saskatchewan Water Corporation require criminal record checks for employees in positions of trust.**

SaskEnergy Incorporated

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Main points

SaskEnergy Incorporated (SaskEnergy) needs better information technology (IT) policies and procedures for managing changes to its systems and data. Under its current processes, some of its IT staff (employees and contractors) can develop and make system changes without authorization. This lack of segregation increases the risk of unauthorized and incorrect changes to SaskEnergy's systems and data that could result in errors in accounting records and customer billing.

Introduction

SaskEnergy Incorporated (SaskEnergy) is a provincial Crown corporation operating under authority of *The SaskEnergy Act*.

At December 31, 2009, SaskEnergy wholly-owned the following companies:

TransGas Limited
Bayhurst Gas Limited
SaskEnergy International Incorporated
Many Islands Pipe Lines (Canada) Limited
SaskEnergy Nova Scotia Holding Ltd.

Consolidated financial statements of SaskEnergy for the year ended December 31, 2009 are included in its 2009 Annual Report. Those financial statements show revenues of $1,197 million, net income of $93 million and assets of $1,572 million at year-end.

Financial statements for its wholly-owned companies are available in their 2009 annual reports.

Our audit conclusions and findings

Our Office worked with Deloitte & Touche LLP, appointed auditor of SaskEnergy. We followed the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* www.auditor.sk.ca/rrd.html. Deloitte & Touche and our Office formed the opinions referred to below.

In our opinion, for the year ended December 31, 2009:

- **SaskEnergy and its wholly-owned companies had adequate rules and procedures to safeguard public resources except as reported in this chapter**

- **SaskEnergy and its wholly-owned companies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

- **SaskEnergy's consolidated financial statements and financial statements of its wholly-owned companies are reliable**

Better information technology (IT) policies and procedures needed

SaskEnergy needs better IT policies and procedures for managing changes to systems and data.

SaskEnergy relies on its IT systems for many aspects of its operations. It also uses IT systems for recording transactions and billing customers. Periodically, SaskEnergy makes changes to its systems and data to meet business needs.

SaskEnergy has established IT policies and procedures including those for managing changes to systems and data. However, those policies and procedures do not restrict roles and responsibilities of IT staff (employees and contractors) involved in making system changes. As a result, some of SaskEnergy's IT staff can develop and make system changes without authorization.

Lack of segregation of duties between the development and implementation functions in an IT environment increases the risk of unauthorized and incorrect changes to the systems and data. This could result in errors in accounting records and customer billing. Adequate IT policies and procedures help protect the confidentiality, integrity, and availability of IT systems and data.

1. **We recommend SaskEnergy Incorporated adequately segregate duties of its information technology staff (employees and contractors) so that one person cannot develop and make system changes.**

Management told us that SaskEnergy has addressed the issue of segregation of duties as it relates to IT staff.

Standing Committee on Crown and Central Agencies

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Main points

The Standing Committee on Crown and Central Agencies is one of the Legislative Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central government agencies, liquor, gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. At December 2009, the Government has implemented most of the Committee's recommendations. This chapter sets out the status of outstanding recommendations for agencies not discussed elsewhere in this report.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown and Central Agencies. We describe what the Committee does, how it is structured, and how it works. We discuss the importance of the Committee's deliberations and recommendations. We also highlight some of its recent activities. In the Exhibit, we set out the status of the Committee's recommendations outstanding at December 31, 2009 for agencies not discussed elsewhere in this report.

Overview of Committee's role and responsibilities

The Standing Committee on Crown and Central Agencies is one of the Legislative Assembly's four policy field committees. Policy field committees are responsible for examining various documents referred to them by the Assembly. These documents include bills and regulations (proposed laws), annual budget estimates, and annual reports. Policy field committees can also conduct inquiries into matters within their mandates.

This Committee's mandate is to consider matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central government agencies, liquor, gaming, and all other revenue-related agencies and entities. At the beginning of each Legislature, the Legislative Assembly appoints the members of the Committee.

The Committee focuses on corporations that receive revenues primarily from sources other than the General Revenue Fund. During its review, the Committee can inquire about issues of current concern, future objectives, and past performance. Because of the magnitude of financial activity that the Government manages through CIC and its corporations, the Committee has an important role. It helps the Assembly hold the Government accountable for its management of these corporations.

The Assembly refers the annual reports and financial statements of CIC and its corporations to the Committee. The Committee also receives payee disclosure reports from each corporation. In addition, the Assembly refers our reports (or parts thereof) that relate to CIC and its corporations to the Committee. The Committee uses these reports to review the corporations' operations.

The Committee also requires CIC and its corporations to submit reports of their significant transactions. Significant transactions are defined by the Committee as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public. These reports describe the transaction, the objectives of the transaction, its financial implications, and the authority for the transaction. Because Crown corporations must submit these reports within 90 days after the transaction, the Committee can review them on a timely basis. During 2009-10, the Committee received one significant transaction report.

Our Office attends certain meetings of the Committee to help it with its review of annual reports, financial statements, and relevant chapters in our reports. The Committee also invites each corporation's appointed auditor to these meetings to help the Committee with its review.

Crown corporation officials and the Minister responsible for the corporation attend the Committee's meetings. They answer questions about their corporation's financial results, plans and priorities, significant transactions, and related chapters in our reports. Periodically, the Committee formally reports its findings and recommendations to the Assembly.

The Committee's meetings are open to the public. Its website (www.legassembly.sk.ca/committees/) contains information about the composition of the Committee and records of the Committee's meetings (i.e., Hansard verbatim, minutes, videos, and reports).

As with the Standing Committee on Public Accounts, this Committee's discussions and recommendations to the Assembly result in a more open and accountable government and in better management of government operations. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources. The work of the Committee also contributes to the public's confidence in our system of government.

Members of the Committee

The following members served on the Committee during 2009-10:

Members serving on Committee after May 2009:

- Denis Allchurch
- Dan D'Autremont
- Buckley Belanger, Deputy Chair
- Fred Bradshaw
- Tim McMillan, Chair
- Randy Weekes
- Trent Wotherspoon

Members that served on the Committee until June 2009:

- Dustin Duncan, Chair
- Nancy Heppner
- Tim McMillan
- Jim Reiter
- Kim Trew, Deputy Chair
- Randy Weekes
- Kevin Yates

Committee activities

During 2009-10, the Committee met 30 times. It reviewed various estimates, bills, and conducted an inquiry into Saskatchewan's energy needs and issued two reports thereon to the Assembly.

The Committee has not reviewed the annual reports of CIC and its corporations for 2008.

The following chapters related to CIC and its corporations in the Provincial Auditor reports remain to be reviewed by the Committee:

- 2007 Report – Volume 3, Chapter 23
- 2008 Report – Volume 1, Chapters 12 and 13
- 2009 Report – Volume 1, Chapters 10, 11, 13, 14, and 15

Status of outstanding recommendations

The Committee's reports (and those of the predecessor Standing Committee on Crown Corporations) contain recommendations, some of which take more than one year to implement. Each year, we follow up and report on their status.

Either in a chapter relevant to the Crown corporation or in the Exhibit below, we provide an update of the status of the Committee's outstanding recommendations—that is, recommendations that the Government has not yet fully implemented. We encourage the Government to implement these recommendations.

The Exhibit below sets out, by each of the Committee's reports, recommendations outstanding at December 31, 2009 that are not discussed in another chapter in this report. For each of these recommendations, the Exhibit sets out the report year of the initial recommendation, the Committee's decision on our recommendation, and to what extent the recommendation was implemented at December 31, 2009.

Exhibit – Outstanding recommendations not discussed in another chapter in this report

Report Year	Outstanding Recommendation	Status
Third Report of the 3rd Session of the 24th Legislature – tabled December 9, 2002		
2001 Spring	The Committee concurs: 11.1 The Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary.	**Not implemented.** Legislative amendments have not been made.
2001 Spring	The Committee concurs: 11.4 The Government should change current laws to: • require subsidiaries of Crown corporations to obtain an Order in Council before purchasing shares • require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date.	**Not implemented.** Legislative amendments have not been made.
Fourth Report of the 1st Session of the 25th Legislature – tabled May 24, 2005		
2004 Report Vol. 1	The Committee concurs: 7.1 CIC should review the limits over which CIC and its subsidiaries must get Order in Council approval to buy and sell real property, either directly or through a subsidiary, and CIC should seek legal changes where appropriate.	**Partially implemented.** CIC has approved new limits that will apply to CIC and each of its subsidiaries. It has made the necessary legal changes for five subsidiary Crown corporations. CIC indicates it will do so for four others when their governing Acts are considered for other legislative changes.

Exhibit terms

Committee concurs – These are our Office's recommendations that the Committee supports, agrees, or concurs with. The Committee does not expect a formal response from the Government but does expect the Government to comply with the recommendations. In the Exhibit, these recommendations are identified by a non-bold number (e.g., 4.1) preceding them. The non-bold numbers reflect the chapter and recommendation number of our related report.

Committee recommends – These are the Committee's recommendations. The Committee expects an official response or action by the Government. In the Exhibit, these recommendations are identified by a bold number (e.g., **1**.) preceding them.

Committee considered – These are our Office's recommendations. The Committee has deferred them for future consideration (e.g., pending the presentation of additional information) or has made its own recommendation on the matter.

Not implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

Partially implemented – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2007*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4; 2001, c.32, s.3; 2005, L-11.2, s.97; 2007, c.6, s.2.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.
2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.
2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.
2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and ih sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

2001, c.32, s.13; 2005, c.L-11.2, s.97.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1)On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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Appendix 2

List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies that were subject to audit examination under *The Provincial Auditor Act* at December 31, 2009.

This Appendix includes the status of those audits at March 31, 2010. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2009 Rpt V2
Ministries and Secretariats:			
Ministry of Advanced Education, Employment and Labour	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1
Ministry of Agriculture	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1
Ministry of Corrections, Public Safety and Policing	March 31	Complete	Yes/2010 Rpt V1
Ministry of Education	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1
Ministry of Energy and Resources	March 31	Complete	No
Ministry of Environment	March 31	Complete	Yes/2009 Rpt V3
Ministry of Finance	March 31	Complete	Yes/2009 Rpt V3
Ministry of First Nations and Métis Relations	March 31	Complete	Yes/2009 Rpt V3
Ministry of Government Services	March 31	Complete	Yes/2009 Rpt V3
Ministry of Health	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1
Ministry of Justice and Attorney General	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1
Ministry of Municipal Affairs	March 31	Complete	Yes/2009 Rpt V3
Ministry of Social Services	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1
Ministry of Tourism, Parks, Culture, and Sport	March 31	Complete	Yes/2009 Rpt V3
Executive Council	March 31	Complete	Note 6
Information Technology Office	March 31	Complete	Yes/2009 Rpt V3
Provincial Secretary, Office of the	March 31	Complete	No
Public Service Commission	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101027596 Saskatchewan Ltd.	December 31	Note 1	
101039181 Saskatchewan Ltd.	December 31	Note 1	
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 1	
610277 Saskatchewan Ltd.	December 31	Note 1	
617275 Saskatchewan Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
Agricultural Implements Board	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Big Sky Farms Inc.	June 28	Note 9	
Carlton Trail Regional College	June 30	Rotational	
CIC Asset Management Inc.	December 31	Complete	Yes/2010 Rpt V1
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC APEX Equity Holdco Ltd.	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	No
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Complete	No
Cypress Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
DirectWest Canada Inc.	December 31	Complete	No
DirectWest Corporation	December 31	Complete	No
Enterprise Saskatchewan	March 31	Complete	Yes/2009 Rpt V3
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	No
Global Transportation Hub Authority, The	March 31	Note 3	
Gradworks Inc.	December 31	Complete	No
Great Plains College	June 30	Complete	No
HARO Financial Corporation	August 31	Note 1	
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 1	
Hospitality Network Canada Inc.	December 31	Complete	No
Information Services Corporation of Saskatchewan	December 31	Complete	No
Innovation Saskatchewan	March 31	Note 3	

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
IS Belle Plaine Holdings Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2009 Rpt V3
Liquor and Gaming Authority Extended Health Care Plan	March 31	Delayed	
Liquor Board Superannuation Commission, The	December 31	Complete	Note 4
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	Yes/2010 Rpt V1
Municipal Employees' Pension Commission	December 31	Complete	Note 2
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Ltd.	December 31	Note 1	
Nokomis Holding, Inc.	December 31	Note 1	
North Sask. Laundry & Support Services Ltd.	March 31	Complete	No
North West Regional College	June 30	Complete	No
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	Yes/2010 Rpt V1
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland Regional College	June 30	Rotational	
Power Corporation Superannuation Plan	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2009 Rpt V3
Public Service Superannuation Board	March 31	Complete	Yes/2009 Rpt V3

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2009 Rpt V3
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2009 Rpt V3
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Gaming Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2009 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2010 Rpt V1
Saskatchewan Labour Market Commission	March 31	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	Yes/2009 Rpt V3
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Research Council, The	March 31	Complete	Yes/2010 Rpt V1
Saskatchewan Telecommunications	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	Yes/2010 Rpt V1
Saskatchewan Watershed Authority	March 31	Complete	No
Saskatoon 2 Management Ltd.	December 31	Note 1	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
SaskEnergy Incorporated	December 31	Complete	Yes/2010 Rpt V1
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskPower International Inc.	December 31	Note 5	
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	December 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
Southeast Regional College	June 30	Rotational	
Sun Country Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2009 Rpt V3 & 2010 Rpt V1

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30, 2009	Complete	Yes/2010 Rpt V1
TecMark International Commercialization Inc.	March 31	Complete	No
Thomson Meats Ltd.	December 31	Delayed	
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 1	
Wadena Holding, Inc.	December 31	Note 1	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	No
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Criminal Property Forfeiture Fund	March 31	Note 3	
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	Yes/2009 Rpt V3
General Revenue Fund	March 31	Complete	Yes/2009 Rpt V3
Growth and Financial Security Fund	March 31	Note 8	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2009 Rpt V3
Livestock Services Revolving Fund	March 31	Complete	No
Northern Municipal Trust Account (formerly Northern Revenue Sharing Trust Account)	December 31	Complete	No
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	No
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2009 Rpt V3
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of - Director's Trust Account	March 31	Complete	No
SAHO Core Dental Plan	December 31	Complete	No
SAHO Disability Income Plan – CUPE	December 31	Complete	No
SAHO Disability Income Plan – SEIU	December 31	Complete	No
SAHO Disability Income Plan – General	December 31	Complete	No
SAHO Disability Income Plan – SUN	December 31	Complete	No
SAHO Group Life Insurance Plan	December 31	Complete	No
SAHO In-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
SAHO Master Trust Combined Investment Fund	December 31	Complete	No
SAHO Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2009 Rpt V3
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Financial Services Commission Fund	March 31	Note 3	
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
Saskatchewan Legal Aid Commission Area Office's Lawyers' Trust Accounts	March 31	Complete	No

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Severance Pay Credits Plan (formerly Saskatchewan Power Corporation Pre-1996 Severance Plan)	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teacher's Dental Plan	December 31	Delayed	
Teacher's Disability Plan	June 30	Delayed	
Teacher's Group Life Plan	August 31	Delayed	
Technology Supported Learning Revolving Fund	March 31	Complete	No
Thomson Meats Pension Plan	December 31	Delayed	
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	No
Chief Electoral Office	March 31	Complete	No
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Chinook School Division No. 211	August 31	Note 3	
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Note 3	
Conseil des Ecoles Fransaskoises School Division No. 310	August 31	Note 3	
Creighton School Division No. 111	August 31	Note 3	
Englefeld Protestant Separate School Division No. 132	August 31	Note 3	
Good Spirit School Division No. 204	August 31	Note 3	
Holy Family Roman Catholic Separate School Division No. 140	August 31	Note 3	
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Note 3	
Horizon School Division No. 205	August 31	Note 3	
Ile a la Crosse School Division No. 112	August 31	Note 3	
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Note 3	
Living Sky School Division No. 202	August 31	Note 3	
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Note 3	
Lloydminster Public School Division No. 99	August 31	Note 3	
North East School Division No. 200	August 31	Note 3	
North West School Division No. 203	August 31	Note 3	
Northern Lights School Division No. 113	August 31	Note 3	
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
Prairie South School Division No. 210	August 31	Note 3	
Prairie Spirit School Division No. 206	August 31	Note 3	
Prairie Valley School Division No. 208	August 31	Note 3	
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Note 3	
Regina Roman Catholic Separate School Division No. 81	August 31	Note 3	
Regina School Division No. 4	August 31	Note 3	
Saskatchewan Rivers School Division No. 119	August 31	Note 3	
Saskatoon School Division No. 13	August 31	Note 3	
Sask Sport Distributors Inc.	March 31	Note 7	
South East Cornerstone School Division No. 209	August 31	Note 3	

Agency	Year end on or before December 31, 2009	Status at March 31, 2010[1]	Significant issues reported[2]
St. Augustine Roman Catholic Separate School Division No. 220	August 31	Note 3	
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Note 3	
Sun West School Division No. 207	August 31	Note 3	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 'Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Long-term Disability Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No
Western Canada Lottery Corporation	March 31	Note 7	
Western Canada Lottery – Saskatchewan Division Inc.	March 31	Note 7	

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2009, these subsidiary corporations did not carry out active operations.

Note 2: We continue to recommend that Municipal Employees Pension Commission have a written, tested, and approved disaster recovery plan. Refer to our 2009 Report – Volume 1 for details.

Note 3: These agencies were recently created, became Crown agencies, or are agencies that manage public money. March 31, 2010, April 30, 2010 and August 31, 2010 will be the first period-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

Note 4: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the Superannuation (Supplementary Provisions) Act. Our 2001 Spring Report contains further information on this matter.

Note 5: These agencies are included in the summary financial statements and did not carry out active operations during their fiscal year.

Note 6: The agency does not have systems to measure work performed and results achieved for its key performance measures. Our 2005 Report – Volume 1 contains further information on this matter.

Note 7: In 2009, we determined that these entities handle public money. *The Provincial Auditor Act* requires our Office to audit all public money. Beginning for the year ending March 31, 2010, we plan to audit these entities through their appointed auditors.

Note 8: The Ministry of Finance does not prepare financial statements for this Fund.

Note 9: Audit of the Financial Statements for the year ended June 27, 2009 was not completed as Big Sky Farms Inc. commenced proceedings under *The Companies' Creditors Arrangement Act* on November 10, 2009.

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[1] "Complete" – the audit was complete at March 31, 2010.
"Delayed" – the audit was delayed.
"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at March 31, 2010 as "Complete". We list the other entities as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

[2] "No" - no significant issues were reported.
"Yes/2009 Rpt V2" – significant issues were reported in our 2009 Report – Volume 2.
"Yes/2009 Rpt V3" – significant issues were reported in our 2009 Report – Volume 3.
"Yes/2010 Rpt V1" – significant issues are reported in our 2010 Report – Volume 1.

Appendix 3

Samples of opinions we form on ministries, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- the adequacy of the Government's management of public resources
- the Government's compliance with legislative authorities
- the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

> I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.
>
> - To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
> - To prepare reliable financial statements.
> - To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Appendix 3

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown Agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [date]:

> *(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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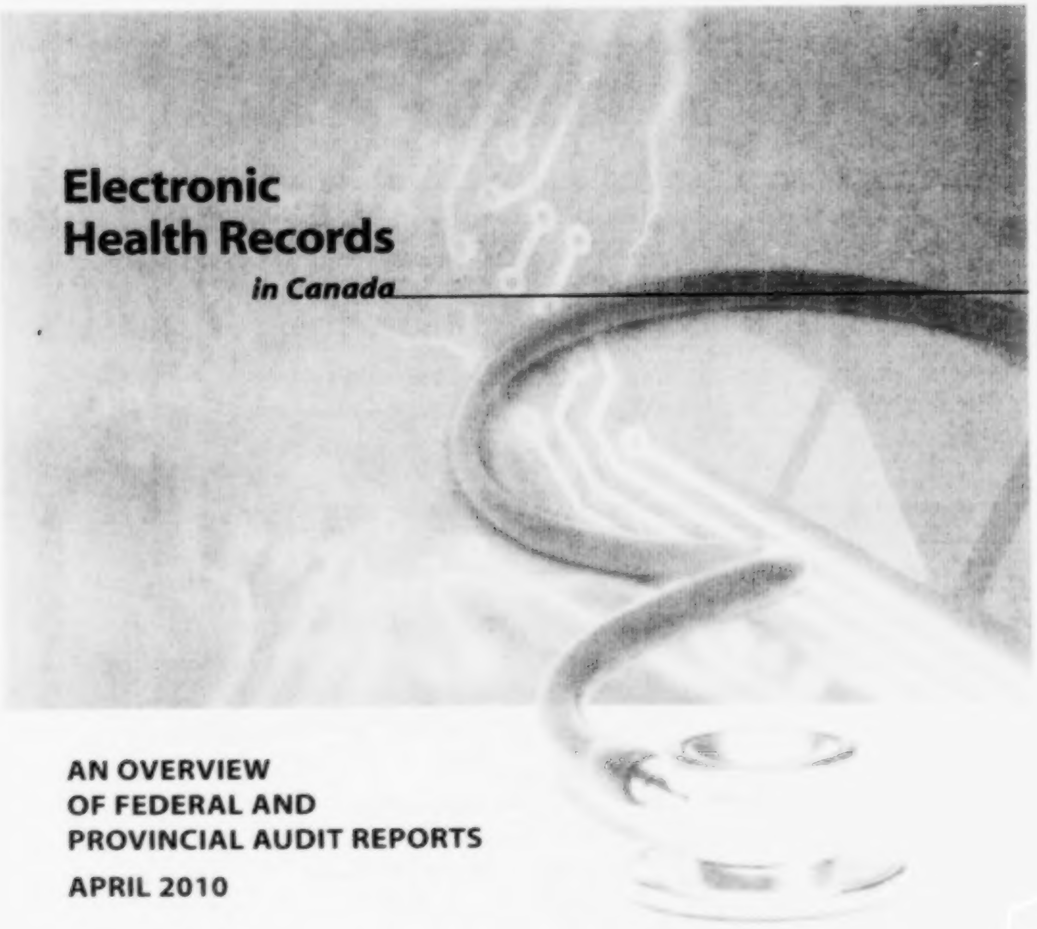
Appendix 4



Electronic Health Records *in Canada*

AN OVERVIEW OF FEDERAL AND PROVINCIAL AUDIT REPORTS

APRIL 2010

PARTICIPATING LEGISLATIVE AUDIT OFFICES

Alberta • British Columbia • Nova Scotia • Ontario • Prince Edward Island • Saskatchewan • Canada

The Report is available on our website at www.oag-bvg.gc.ca.

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Electronic Health Records in Canada

AN OVERVIEW OF FEDERAL AND PROVINCIAL AUDIT REPORTS

In brief

Implementing electronic health records in Canada is a pan-Canadian initiative that requires the collaboration of stakeholders, including the federal government, Canada Health Infoway Inc., and the provincial and territorial governments, as well as other organizations involved in the delivery of health care. Every audited jurisdiction has at least one core electronic health record (EHR) system in place, and some provinces have almost finished implementing their EHR systems. Given the significant challenges of this undertaking and the substantial potential benefits of EHRs, stakeholders need to work together to comprehensively report to legislatures and Canadians on progress made and benefits achieved.

Introduction

Electronic health records (EHRs) are secure and private lifetime records that describe a person's health history and care. They are made up of information from a variety of sources, including hospitals, clinics, doctors, pharmacies, and laboratories. This information is critical for treatment and is accessible to health care professionals.

Implementing EHRs is a pan-Canadian initiative that requires the collaboration of the federal government, Canada Health Infoway Inc. (Infoway), provincial and territorial governments, as well as other organizations involved in the delivery of health care.

The Auditor General of Canada and the auditors general/provincial auditor of six provinces (Alberta, British Columbia, Nova Scotia, Ontario, Prince Edward Island, and Saskatchewan) conducted concurrent performance audits of the development and implementation of EHRs in their respective jurisdictions. A committee, composed of representatives from each of the participating legislative audit offices, developed common objectives and criteria for the EHR audits. The findings summarized in this overview report apply only to the named jurisdictions.

The Auditor General of Canada focused on Infoway and Health Canada. The provincial auditors general/provincial auditor concentrated on the ministries of Health and other organizations responsible for developing and implementing EHRs within their jurisdiction. While each office determined the scope of its own audit, all agreed to examine planning, implementation, and public reporting of results. Some audit offices undertook audits with broader scopes that included, for example, privacy and security, and administrative issues. In addition, some provincial audits included projects funded entirely by the provincial ministries of Health, as well as projects funded by Infoway.

Over the past year, the federal and participating provincial audit offices each tabled a report in their legislature (see the Appendix for a list of individual audit offices and websites where their audit reports can be found). The audit reports discussed in this overview were issued to the respective legislatures between October 2009 and April 2010. This overview report does not reflect any progress that may have been made to address the audit findings and recommendations.

Context

A fully functional electronic health record (EHR) will allow health care professionals to view and update a patient's health record. Ideally, to support the provision of high-quality care, an individual's EHR will be available to their authorized health care professionals anywhere and anytime (Exhibit 1).

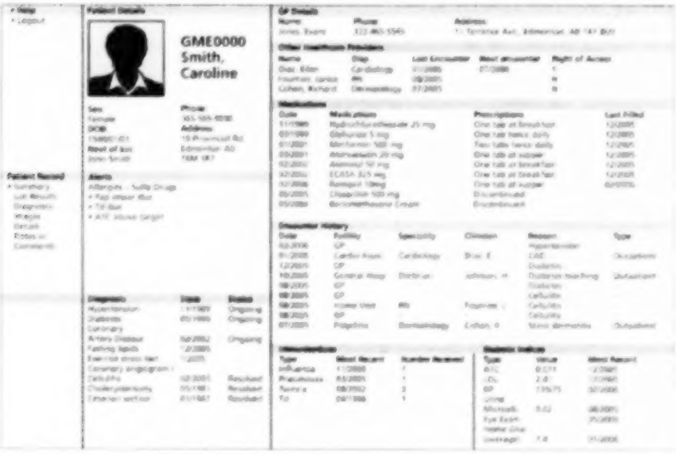
Core components of an EHR include the following:

- Client registry—a list of all patients and their relevant personal information
- Provider registry—a list of participating health care professionals who are authorized to use the system
- Diagnostic imaging system—electronically collects, stores, manages, distributes, and displays a patient's images and reports, such as x-rays, ultrasounds, MRIs (magnetic resonance imaging) and CT (computed tomography) scans
- Drug information system—allows health care professionals to access, manage, share, and safeguard a patient's medication history

- Laboratory information system—no matter where a patient is tested, allows laboratory technicians to enter results into a database that will be linked to the patient's EHR and will be available for viewing
- Interoperable EHR—allows authorized health care professionals to view and, in some cases, update a patient's essential health information

EHRs are intended to solve a number of persistent problems in Canada's health system, some of which may be caused by the use of paper health records. In particular, electronic records are more likely to be legible and available when needed, and can be retrieved more easily and quickly. Potential benefits for patients include improved health care and decreased risks (such as adverse drug reactions or duplicate, invasive, or expensive tests). Health care professionals should be able to make better decisions, thanks to up-to-date, comprehensive patient information. Overall, EHRs are expected to reduce costs and improve quality of care.

Exhibit 1: An example of what an EHR might look like



Source: Adapted from a Canada Health Infoway Inc. illustration.

Note: The individual is fictional.

Shared responsibility

Each of the stakeholders in this initiative has an important role to play.

Canada Health Infoway Inc. (Infoway). Created in 2001 as a not-for-profit corporation that operates at arm's length from governments, Infoway describes its role as that of a "strategic investor" that makes focused investments to foster and accelerate the development of electronic health records across the country. It works with the provinces and territories, which are responsible for delivering health care, to set a national direction, and it helps to ensure that provincial and territorial strategies are aligned with national priorities.

Infoway funds projects with the provinces and territories on a first-come, first-served basis, paying up to 75 percent of the eligible costs of the approved projects. It also participates in project planning and monitors the implementation of projects by the provinces and territories as well as the quality of deliverables.

Although each province and territory will have an EHR system adapted to its needs, it is important that provincial and territorial systems are based on an agreed set of principles and characteristics. To this end, Infoway—in consultation with the provinces, territories, and other stakeholders—identified the key requirements and core components of an EHR and developed the Electronic Health Record Solution Blueprint to guide the national development of EHRs. Released in 2003, the Blueprint is a technology framework for sharing health information securely and appropriately across Canada. It was revised in 2006 and now includes more detail on how standards support the sharing of health information. It also includes more on how they comply with federal, provincial, and territorial requirements as well as privacy and security requirements across jurisdictions. Infoway believes that provincial and territorial alignment with the Electronic Health Record Solution Blueprint and compliance with standards are essential to achieving EHRs that are compatible across the country.

Provinces and territories. The provinces and territories are responsible for developing their own EHR strategies and for proposing projects to Infoway that align with the Electronic Health Record Solution Blueprint, the standards, and the eligibility criteria. They are responsible for implementing the projects, and for the cost of operating and maintaining EHR systems. Because the total amount of funding that Infoway will provide for a project is capped when the project is approved, the provinces and territories assume all the risk of cost overruns.

Provinces and territories also provide funds to regional health authorities and hospitals to cover other EHR initiatives. They are responsible for ensuring that the implemented EHR systems comply with their own privacy laws. Finally, provinces and territories are responsible for helping doctors, nurses, pharmacists, and other health care professionals understand and use EHRs.

Funding for electronic health records

Since Infoway was created in 2001, the federal government has granted the corporation $1.6 billion. By 31 March 2009, Infoway had spent about $615 million on the electronic health record (EHR) initiative and had committed about $614 million—for an approximate total of $1.2 billion. Exhibit 2 illustrates where the expenditures and commitments were made. The remaining $400 million was allocated to related priorities.

Exhibit 2: Infoway's expenditures and commitments to electronic health records—as of 31 March 2009

Jurisdiction	Expenditures ($ millions)	Commitments ($ millions)	Total ($ millions)
Alberta	87	36	123
British Columbia	84	79	163
Manitoba	21	32	53
New Brunswick	18	20	38
Newfoundland and Labrador	37	28	65
Northwest Territories	6	6	12
Nova Scotia	26	20	46
Nunavut	2	5	7
Ontario	132	171	303
Prince Edward Island	11	0	11
Quebec	107	188	295
Saskatchewan	42	25	67
Yukon	1	1	2
Pan-Canadian	41	3	44
Total	**615**	**614**	**1,229**

Source: Canada Health Infoway

Note: Figures have been rounded to the nearest million and include payments made to cover the eligible costs of the projects, taxes and the allocation of Infoway's management costs.

For most provinces, the EHR initiative is just one part of an overall electronic health strategy. Provinces also fund other components of their electronic health strategies, for example, computerizing primary care doctors' offices and hospital systems and developing systems that focus on child health or chronic disease management, such as diabetes. Although Infoway's costs are known, all provinces have not consistently tracked their total costs. Therefore, the total costs to date of the EHR initiative are unknown. Some experts have estimated the total cost of implementing EHRs Canada-wide at over $10 billion and the total annual benefits at $6 billion.

Reported audit findings

Each province's approach to electronic health records is unique. Their definitions of electronic health strategies, priorities, timelines, and approaches are distinctive. Nevertheless, the audit reports had some themes in common, as described in the following sections.

Planning for electronic health records

An undertaking as large, complex, and costly as developing and implementing a compatible electronic health record (EHR) system across Canada requires the collaboration of all parties and requires that strategic and operational plans be made to guide and coordinate their activities. It represents a significant challenge for the provinces and the territories.

Infoway, in collaboration with the provinces and territories, has accomplished much in the eight years since its creation. As previously mentioned, Infoway—in consultation with the provinces, territories, and other stakeholders—identified the key requirements and core components of an EHR and developed the Electronic Health Record Solution Blueprint to guide the national development of EHRs. Infoway's strategic plans identify priorities, along with measurable goals and targets, and provide a roadmap for the development of the various component systems of an EHR.

The provinces and territories needed to go beyond the Blueprint, which represents the pan-Canadian architecture for EHRs, and develop their own EHR strategies. The following are some of the key findings at the provincial level:

- Alberta had a current and comprehensive strategic plan for EHR systems.

- British Columbia had a strategic plan at the start of the initiative, but it was not comprehensive. It now has a new strategic plan.
- Prince Edward Island's EHR strategic plan was not updated to reflect the completion of the EHR to Infoway standards.
- Nova Scotia, Ontario, and Saskatchewan started their EHR initiatives without having a comprehensive strategic plan.
- Ontario only finalized its strategic plan in 2009, after nearly a decade of effort toward creating an EHR.
- Saskatchewan recently created a governance body to provide strategic advice on the implementation of EHRs. It is in the process of developing an EHR strategic plan.
- No province had plans for individual projects that adequately linked to strategic plans. British Columbia has recently made progress in addressing this issue.

A complete EHR requires the development or upgrading of a number of systems. When there is no EHR strategic plan at the provincial level or when links between plans are weak, it is unclear when component systems will be developed or upgraded; it is also unclear which systems will need to be upgraded. Furthermore, there is a risk that the projects undertaken will not be consistent with the goals and priorities of the overall EHR initiative and that the needs of the users will not be met.

Implementing electronic health records

When implementing electronic health records (EHRs), it is important to ensure that they are compatible, so that no matter where an individual seeks medical attention, the information will be accessible to health care professionals.

At the federal level, the audit reported that Infoway was exercising due regard in managing funds from the federal government to achieve its goal related to the implementation of EHRs across Canada. As a strategic investor, Infoway approves each project based on the project's potential for success and commitment to satisfying requirements, such as aligning with the Blueprint and complying with standards. It funds projects using a gated funding model that ties reimbursement to the achievement of project milestones. The federal audit found that Infoway has established and consistently applied an approval process that assessed proposed projects against requirements for EHRs, including the key requirement that they be compatible nationwide. Infoway has also established legal agreements for each project with the provinces and territories, to obtain greater assurance that the requirements will be respected.

To ensure that projects have satisfied these requirements, it is important that systems be tested. However, Infoway does not obtain from the provinces and territories the results of conformance testing on EHR systems, to ensure that standards have been correctly implemented. Consequently, Infoway does not have sufficient assurance that EHR systems will be compatible across the country. Infoway has a planned approach to ensure compatibility of systems across Canada in those instances where there are variances in the conformance with standards.

It appears that the focus for the provinces is to ensure compatibility within their jurisdictions. This approach is based on the fact that the majority of people seek health care within their home province. Provinces have reported that they intend to comply with standards, but it is too soon to have certainty about whether the systems in their jurisdictions will be compatible. In addition, it is not clear when existing systems will be upgraded, if necessary, to meet standards for compatibility.

Good project management, when an EHR system is being implemented, is also important for achieving objectives, monitoring performance, and mitigating risks in an effective and economic manner. Audit findings indicated that project management practices varied from province to province, as follows:

- In British Columbia and Nova Scotia, project planning and monitoring, risk mitigation, and reporting on the status of individual projects were in line with best practices.
- In Saskatchewan, individual projects were managed according to recognized project management methodology, except for the fact that overall costs and timelines were not monitored.
- In Alberta, EHR projects were managed according to a recognized project management methodology. However, the audit noted that the business cases to justify the components of the EHR were not developed consistently, and better monitoring of total costs was needed.
- In Ontario, inadequate oversight of project expenditures and deliverables and significant scope creep (expansion of the original scope) of projects were reported.
- In Prince Edward Island, project management weaknesses were identified for the period 2005 to 2007. Significant improvements were made in 2007, but monitoring and reporting of project costs continued to be a problem.

Ministries of Health with inadequate project management processes are less able to properly manage costs, risks, and problems. As a result, projects may not meet the ministries' timelines or user expectations.

Complex EHR systems require clear leadership and direction from a central authority. The Ontario audit reported weaknesses in the governance structure for its EHR initiative, which resulted in ineffective oversight and unclear accountabilities. The British Columbia audit reported similar weaknesses early on; however, the ministry has since created a more streamlined governance structure with clear roles and a broader group of stakeholders. Oversight of the EHR initiative in Prince Edward Island had been inadequate, but the audit noted that oversight improved after 2007. The Alberta audit reported a need to improve the oversight of its EHR systems. At the federal level, the audit reported that Infoway had appropriate governance mechanisms in place and that its Board of Directors uses appropriate practices in exercising its stewardship role. Other participating audit offices did not audit the governance structure.

Reporting on progress to the public

The stated goal for Infoway and the provinces and territories consists of two elements:

- By 2010, every province and territory, and the populations they serve, will benefit from new health information systems that will help transform their health care system
- By 2010, 50 percent of Canadians and, by 2016, 100 percent will have their electronic health record available to their authorized health care professionals.

The first element of the goal has been met; every jurisdiction has at least one new health information system in place. With respect to the second element, Infoway reported that, as of 31 March 2009, 17 percent of Canadians lived in a province or territory where all core components of an EHR system are available.

Infoway depends on the provinces and territories to achieve the goal. Each province has established its own timeline for completing its electronic health strategies, and some are nearer completion than others. For example, Alberta has made good progress in completing the core components of its EHR system. British Columbia has also made progress; four of the six core components are substantially built, but not necessarily adopted or used yet. Nova Scotia expects its system to be operational by March 2010, although initially it will not include a drug information system. In Prince Edward Island, many of the core components are complete, but further work is needed for the EHR to be fully interoperable within PEI and to complete the system according to national standards.

Infoway collaborated with provincial officials and agreed on what actions each jurisdiction would take to meet the pan-Canadian target by 31 December 2010. Infoway, the provinces, and the territories need to work together to develop performance measures and reporting standards for each core system of the electronic health record, so they can report consistently and sufficiently to their legislatures on progress toward the goal.

There is limited public reporting on progress at the provincial level. Provinces are hampered by the lack of comprehensive information, including costs, baselines, and performance measures for the overall initiative. However, there are some initiatives underway. For example, Nova Scotia is participating in a joint initiative with two other Atlantic provinces to develop performance indicators, and Alberta has made progress developing key benefit-evaluation components, although no benefit evaluations have been performed. Prince Edward Island has conducted preliminary benefits evaluations for some projects and plans to carry out a more comprehensive evaluation at a later date.

As a result, the provincial ministries of health and the public are currently unable to assess whether the initiative is achieving its goals and objectives, on time and within budget. Additional information on progress and on the availability and use of EHRs is needed so the legislatures and Canadians can determine whether they have received value for the investments made thus far, and whether they will do so in the future.

Meeting important challenges

While progress has been made in developing and implementing electronic health records (EHRs) across Canada, continued collaboration between Infoway, the provinces and territories, and other stakeholders will be needed to deal with the issues that were raised in our audits and to address the significant challenges outlined below. As governments and Infoway move forward in implementing EHRs, continued attention to the following critical questions required over the medium term:

Achieving the goal. Infoway has determined that the risk of not achieving the goal is high. As of 31 March 2009, only 17 percent of Canadians were living in provinces where an EHR is available to their health care professionals. Will the objective of having the electronic health records of 50 percent of Canadians (100 percent by 2016) available to their authorized health care professionals be met by the end of 2010? Will the EHR system be finished on time, as defined by each jurisdiction?

Realizing benefits. Two studies commissioned by Infoway have indicated that, once they are in place, EHRs will save an estimated $6 billion each year. Will the cost savings and efficiencies be realized for Canada? What will be the other benefits? When will jurisdictions establish baselines to start measuring the benefits?

Upgrading systems. Not all completed EHR projects have implemented the standards required for national compatibility. Who will provide the funding needed to ensure that all systems will be compatible and when will this funding be provided? Do the jurisdictions have plans for upgrading systems to ensure national compatibility? Will EHRs be available to health care professionals anywhere and anytime to support the provision of high-quality care?

Implementing computerized systems in doctors' offices. EHRs are being implemented in institutional settings, such as hospitals, clinics, pharmacies, and laboratories. However, Infoway has estimated that about 80 percent of patient encounters with the health care system take place with doctors and specialists outside an institutional setting. A 2007 study reported that a limited number of Canadian primary care doctors use computerized systems in their offices to communicate and share information. Unless there is a significant increase in this number, the potential benefits of EHRs will not be fully realized. How can the number of primary care doctors using computerized systems be increased significantly?

Consumer health solutions. New health information systems that allow patients direct access to and control over their personal health information are becoming more common. For the systems to exchange information properly, the vendors of these new systems will need to offer solutions that are compatible with the systems that have already been funded. Infoway has launched a certification service to ensure that consumer health solutions available for sale meet the requirements for privacy, security, and compatibility. Will further steps be needed to ensure that consumer health solutions or personal health records are compatible with EHR systems already in place?

Sharing personal health information. Sharing personal health information among the provinces and territories is critical to having EHRs that are accessible across the country—particularly for Canadians who live in smaller provinces and territories and need specialized care that is available only in larger centres. This also concerns Canadians who move from one part of the country to another, travel often, or live in one place but work or study in another. How will differences in provincial and territorial laws regarding the collection, use, protection, and disclosure of personal health information be resolved, to facilitate the sharing of this information between jurisdictions?

Funding the initiative. Finally, questions remain about how the initiative will be funded. What will be the total cost to complete the EHR initiative?

Going forward

The federal and provincial governments have an opportunity to take stock and re-affirm or re-establish priorities, objectives, budgets, and timelines. The overall success of implementing electronic health records depends on this. Given the significance of the investments made, the potential benefits, and Canadians' interest in health care, this is also an opportunity for the committees of each legislature to, individually and/or collectively, continue to monitor the audit findings and provide future oversight of EHRs.

Signatures of the officials of the participating legislative auditing offices

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Comments from audited governments and Canada Health Infoway

Comments from Governments of Canada, Ontario, Nova Scotia, British Columbia, Prince Edward Island, Saskatchewan and Alberta, and Canada Health Infoway

The Electronic Health Record audits have shown that progress is being made on this important pan-Canadian initiative. Individual governments and Infoway have responded to their respective EHR audits with plans and activities to address the recommendations raised in them.

Beyond these issues, the *Electronic Health Records in Canada—An Overview of Federal and Provincial Audit Reports* concludes with a number of important cross-cutting challenges, which are well understood by all parties involved in this complex endeavour. Governments and Infoway remain committed to working together to address these challenges and have already initiated action on them.

Jurisdictions and Infoway have achieved much toward **achieving the goal** of 50 percent of Canadians having an EHR available to their health professionals by 2010. In measuring progress, Infoway does not include a jurisdiction or region in their calculation until it has every EHR building block in place, so considerable progress on individual systems is not reflected in this metric. Currently, Infoway's forecast indicates the country will come very close to the goal by 2010 and will cross the 50 percent threshold in the first half of 2011.

Infoway and provinces and territories recognize that it will take time to assess **benefits**, since systems must be complete and in use before impacts can be evaluated, and are currently laying the groundwork for evidence-based evaluations. Infoway has developed a "Benefits Measures Framework" to define indicators for each of its investment programs with respect to access, quality and productivity. An evaluation of Diagnostic Imaging systems, which are implemented in all jurisdictions, illustrates the significant benefits these investments have.

Many jurisdictions implemented EHR components prior to Infoway's existence and thus have a need for **upgrading systems**. Infoway is working with jurisdictions and vendors to develop strategies for this. For those newer systems co-funded through Infoway, the approval process requires that they comply with all standards set out by Infoway. Governments and Infoway are committed to seeing that, ultimately, all systems will be able to communicate.

Regarding **computerized systems in doctors' offices**, Canada's approach to eHealth initially focused on establishing the overarching jurisdictional systems (i.e., the EHR), with connecting individual clinical settings (e.g., doctor's offices) as a second phase. Jurisdictions and Infoway have collectively articulated a go-forward strategy and new funding has been allocated in this area.

The Deputy Ministers of Health have mandated Infoway to play a pan-Canadian leadership role to help ensure that **consumer health solutions** (personal health records) will be interoperable with EHRs in Canada. In February 2009, Infoway initiated a certification service to support this process.

Governments are committed to developing an appropriate policy and legal framework for the **sharing of personal health information** between jurisdictions.

Recent government **funding** decisions related to EHRs reflect the ongoing jurisdictional commitment to this initiative. The transfer of an additional $500 million by the Government of Canada to Infoway, confirmed in Budget 2010, will be accompanied by additional jurisdictional investments.

These activities illustrate the ongoing commitment of jurisdictions and Infoway to work together to address the important challenges identified in the *Electronic Health Records in Canada—An Overview of Federal and Provincial Audit Reports.*

Appendix—List of audit offices and websites

Each office's audit reports can be found on its website.

Office of the Auditor General of Alberta	www.oag.ab.ca
Office of the Auditor General of British Columbia	www.bcauditor.com
Office of the Auditor General of Nova Scotia	www.oag-ns.ca
Office of the Auditor General of Ontario	www.auditor.on.ca
Office of the Auditor General of Prince Edward Island	www.assembly.pe.ca (under Assembly Offices/Office of the Auditor General)
Office of the Provincial Auditor for Saskatchewan	www.auditor.sk.ca
Office of the Auditor General of Canada	www.oag-bvg.gc.ca